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MANAGEMENT OF THE PUBLIC SERVICE

Canada, Royal Commission on Government
Organization

[Report]

VOLUME **1**

MANAGEMENT OF THE PUBLIC SERVICE

PUBLISHED BY THE QUEEN'S PRINTER • OTTAWA • CANADA FOR
THE ROYAL COMMISSION ON GOVERNMENT ORGANIZATION

[1962]

MANAGEMENT OF
THE PUBLIC SERVICE

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ROYAL COMMISSION ON GOVERNMENT ORGANIZATION

J. GRANT GLASSCO

F. EUGÈNE THERRIEN

WATSON SELLAR

To His Excellency

THE GOVERNOR GENERAL IN COUNCIL

May It Please Your Excellency

We, the Commissioners appointed by Order in Council dated 16th September, 1960 to inquire into and report upon the organization and methods of the departments and agencies of the Government of Canada and to make recommendations concerning the matters more specifically set forth in the Order in Council dated 16th September, 1960: Beg to submit to Your Excellency the following Report.

A handwritten signature in dark ink, appearing to read "J. Grant Glassco", written over a horizontal line.

J. Grant Glassco
CHAIRMAN

July 18th, 1962

TO ALL TO WHOM THESE PRESENTS SHALL COME
OR WHOM THE SAME MAY IN ANYWISE CONCERN,

Greeting:

WHEREAS pursuant to the provisions of Part I of the Inquiries Act, chapter 154 of the Revised Statutes of Canada, 1952, His Excellency the Governor in Council, by Order P.C. 1960-1269 of the sixteenth day of September, in the year of Our Lord one thousand nine hundred and sixty, a copy of which is hereto annexed, has authorized the appointment of Our Commissioners therein and hereinafter named to inquire into and report upon the organization and methods of operation of the departments and agencies of the Government of Canada and to recommend the changes therein which they consider would best promote efficiency, economy and improved service in the despatch of public business, and in particular but without restricting the generality of the foregoing, to report upon steps that may be taken for the purpose of

- eliminating duplication and overlapping of services;
- eliminating unnecessary or uneconomic operations;
- achieving efficiency or economy through further decentralization of operations and administration;
- achieving improved management of departments and agencies, or portions thereof, with consideration to organization, methods of work, defined authorities and responsibilities, and provision for training;
- making more effective use of budgeting, accounting and other financial measures as means of achieving more efficient and economical management of departments and agencies;
- improving efficiency and economy by alterations in the relations between government departments and agencies, on the one hand, and the Treasury Board and other central control or service agencies of the government on the other; and
- achieving efficiency or economy through reallocation or regrouping of units of the public service,

and has conferred certain rights, powers and privileges upon Our said Commissioners as will by reference to the said Order more fully appear.

NOW KNOW YE that, by and with the advice of Our Privy Council for Canada, We do by these Presents nominate, constitute and appoint J. Grant Glassco, Esquire, of the City of Toronto, in the Province of Ontario; Robert Watson Sellar, Esquire, of the City of Ottawa, in the Province of Ontario; and F. Eugene Therrien, Esquire, of the City of Montreal, in the Province of Quebec, to be Our Commissioners to conduct such inquiry.

TO HAVE, hold, exercise and enjoy the said office, place and trust unto the said J. Grant Glassco, Robert Watson Sellar and F. Eugene Therrien, together with the

rights, powers, privileges and emoluments unto the said office, place and trust of right and by law appertaining during Our Pleasure.

AND WE DO hereby direct that the scope of the inquiry shall not extend to the institution of Parliament.

AND WE DO hereby authorize Our said Commissioners to exercise all the powers conferred upon them by section 11 of the Inquiries Act and be assisted to the fullest extent by government departments and agencies.

AND WE DO hereby authorize Our said Commissioners to adopt such procedure and methods as they may from time to time deem expedient for the proper conduct of the inquiry and sit at such times and at such places in Canada as they may decide from time to time.

AND WE DO hereby authorize Our said Commissioners to engage the services of such counsel, staff and technical advisers as they may require at rates of remuneration and reimbursement to be approved by the Treasury Board.

AND WE DO hereby require and direct Our said Commissioners to report their findings to Our Governor in Council, making interim reports as progress is made, with the final report to be made within a period of two years.

AND WE DO hereby require and direct Our said Commissioners to file with the Dominion Archivist the papers and records of the Commission as soon as reasonably may be after the conclusion of the inquiry.

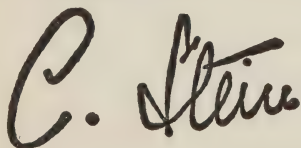
AND WE FURTHER appoint J. Grant Glassco, Esquire, to be Chairman of Our said Commissioners.

IN TESTIMONY WHEREOF We have caused these Our Letters to be made Patent and the Great Seal of Canada to be hereunto affixed.

WITNESS: The Honourable Patrick Kerwin, Chief Justice of Canada and Deputy of Our Trusty and Well-beloved Major-General George Philias Vanier, Companion of Our Distinguished Service Order upon whom We have conferred Our Military Cross and Our Canadian Forces' Decoration, Governor General and Commander-in-Chief of Canada.

AT OTTAWA, this Twenty-seventh day of September in the year of Our Lord one thousand nine hundred and sixty and in the ninth year of Our Reign.

By Command,

A handwritten signature in dark ink, appearing to read "C. Steine". The signature is fluid and cursive, with a large initial "C" and a stylized "Steine".

UNDER SECRETARY OF STATE

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1 A PLAN FOR MANAGEMENT

MANAGEMENT OF THE PUBLIC SERVICE

REPORT 1: A PLAN
FOR MANAGEMENT

PUBLISHED BY THE QUEEN'S PRINTER • OTTAWA • CANADA FOR
THE ROYAL COMMISSION ON GOVERNMENT ORGANIZATION

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1

INTRODUCTION

THE SCOPE OF THE TASK

Your Commissioners are directed “to inquire into and report upon the organization and methods of operation of the departments and agencies of the government of Canada and to recommend the changes therein which they consider would best promote efficiency, economy and improved service in the despatch of public business”.

It was clear from the start that this broad directive imposed a formidable task, but just how formidable became evident only as the work of the research staff revealed the extent and diversity of the activities of the Government of Canada. A total of 116 departments and agencies were identified, comprising:

- 23 departments ranging in size from 93 employees to more than 43,000.
- The Armed Forces.
- 21 statutory boards, one of which had no employees of its own, while another had almost 2,800.
- 42 corporations, including such varied undertakings as the National Gallery, Unemployment Insurance Commission, Bank of Canada and Trans-Canada Air Lines.
- 29 miscellaneous statutory officers, commissions and councils, such as the Chief Electoral Officer, Civil Service Commission, the Industrial Design Council and the Royal Canadian Mounted Police.

At the time this Royal Commission was established, these departments and

agencies had a total work force of 480,000 people. This was more than seven per cent of the Canadian work force, roughly equal to the number employed in the 25 largest industrial corporations or the 60 largest manufacturing concerns in Canada. Included in this total were:

- 132,000 civil servants, employed under the Civil Service Act.
- 214,000 other civilian employees.
- 120,000 members of the Armed Forces.
- 14,000 revenue postmasters and their assistants.

For the year ending 31st March, 1960, the total payroll of all departments and agencies was estimated at \$1.8 billion. This was equivalent to more than ten per cent of payrolls for all Canadian industry and almost thirty-five per cent of payrolls in manufacturing industries.

The popular notion that bureaucrats are desk-bound was dispelled by the discovery that over \$12 million is paid annually to public carriers to transport civilian employees travelling on public business. In addition, excluding the Canadian National Railways, Trans-Canada Air Lines and the Polymer Corporation, the civilian departments and agencies operate more than 8,300 motor vehicles, 600 watercraft and 72 aircraft. The Department of Agriculture alone consumes over one million gallons of gasoline annually.

Government and paper seem to go together. More than 100,000 different forms were identified and an additional 100,000 are believed to exist. About 50 million letters are written each year and over five million cheques are issued each month. The inactive files of the government occupy an estimated 200 miles of shelving, one-third of it in the Public Records Centre in Ottawa. Enough library material to fill ten miles of shelving is being acquired each year.

Even without the vast public domain in the north, the federal government is by far the largest holder of real estate and the largest tenant in Canada. In 1960, about 180 million square feet of building space were occupied by departments and agencies—the equivalent of over 100 buildings, each the size of a football field and 28 storeys in height—and the value of real estate holdings was estimated at \$4 billion.

The range of activities carried on by the government may be further illustrated by the following:

- Departments and agencies conduct such varied activities as a gold refinery, power plants, a tailor shop, fumigation service, bait service, a mail order prescription drug service, pastures, hostels, cafeterias, swimming pools and golf courses.

- Over \$50 million is spent annually to educate almost 75,000 students in federally operated schools.
- Departments operate 44 hospitals containing over 12,000 beds, scattered from Inuvik in the Northwest Territories to Zweibrücken in West Germany.
- Over \$50 million is spent annually for telecommunications.
- About \$12 million is spent each year to move the household goods of the government's civilian and military staffs from place to place.
- Outside Canada, in more than 100 locations, thirty-one departments and agencies employ over 11,000 civilians.

The occupations in the public service match its activities in variety, ranging from actuaries and anthropologists through bee keepers, dry dock riggers, map compilers and pharmacists, to veterinarians and X-ray operators. An element of mystery is created by the listing of such intriguing occupations as insect sampling and rearing aides, negative operators, receivers of wreck, scope watchers, and strippers and layouters.

THE METHOD OF INQUIRY

Necessarily, this had to be a selective inquiry. It was clearly impossible to carry out a detailed examination of the machinery of government, department by department and agency by agency. The task was brought within manageable bounds in three ways: first, by excluding from the study certain large undertakings which, while government-owned, are run on essentially commercial lines; second, as set out in the First Report on Progress of April 1961, by directing the inquiry into a selected range of problems which are of common concern to all or a substantial number of departments; third, by concentrating each functional study on selected departments and agencies.

The agencies generally excluded from the inquiry were the Canadian National Railways, the Polymer Corporation and Trans-Canada Air Lines. Even in these cases, the exclusion was not quite complete; certain inquiries extended to these corporations where particular aspects of their operations afforded useful comparisons with the management of departments or were closely linked with departmental activities. The Canada Council, on the other hand, was totally excluded, as it is expressly declared not to be an agency of the government. In the case of Canadian Arsenals Limited, an independent management study had been initiated shortly before the investigations of the Royal Commission began, and it seemed reasonable not to duplicate the work of the other inquiry.

In organizing the research programme in projects which cut across departmental and agency lines, it was found necessary to co-ordinate the work of the several projects, to varying degrees, within individual departments and agencies. In addition to the project team formed to co-ordinate studies in the Department of National Defence, which was described in the First Report on Progress, special arrangements were made, either by creating similar separate teams or by forming inter-project working groups, to carry out concerted studies of the Department of External Affairs, the Department of Public Printing and Stationery, the Post Office and the Canadian Broadcasting Corporation. For other departments and agencies, the central staff of the Commission assumed the task of co-ordinating inquiries wherever necessary.

Additional special studies, cutting across both project and departmental lines, were carried out by the central staff, working closely with the relevant project groups, on such matters as the central control and service agencies of government, the organization of field operations, the organization of operations abroad, the administration of the north, the organization of health, welfare, resources and transport administration, the use of non-departmental forms of organization, and the impact of bilingualism on the public service.

By country-wide advertisement, the public were invited to make submissions to the Commission on matters coming within its terms of reference. In response to this invitation, representations have been received from almost fifty business and professional associations, twenty business firms and research institutions, and fifty private individuals. These included briefs from the major staff associations in the public service. In each case, the points raised in the representations were investigated and considered by your Commissioners.

The research programme involved the most extensive inquiry into the machinery of government ever undertaken in Canada. A total of 176 specialists from industry, the universities and the professions were engaged in this inquiry, with twenty-one members of the public service attached to various aspects of the work. Approximately 21,000 days of work—the equivalent of about eighty man-years—were recorded by the research staff, exclusive of the related clerical work.

It is not possible to calculate the burden of work thrown on the public service itself by the requests for data arising in the course of the research programme, or the time spent by public servants in assisting the research staff in its field studies. Almost without exception, these demands met with a co-operative response. The competence and devotion of most public servants encountered impressed your Commissioners and the research staff. It was found that the public service was generally receptive to change and was, in fact, the source of many proposals for improving its own operations. There are areas in which the gov-

ernment is deficient in particular skills and techniques. But, in general, the defects in the machinery of government are the consequence of outmoded concepts of public administration and do not reflect on the calibre of Canada's public servants.

This impression of the high quality of the Canadian federal public service was confirmed by the views expressed to the Commission by senior officials of other governments.

In the course of the inquiry, your Commissioners visited the United Kingdom and United States to learn how the national governments of those two countries dealt with problems of organization and administration which had been encountered in Canada. Further visits to London and Washington were made by research officers from a number of the project teams for more detailed discussions within their respective areas of inquiry. Senior officials of the British and United States governments responded generously to all these approaches. In addition, information on specific points was obtained from other governments, Commonwealth and European.

Your Commissioners discussed the structure and management of the public service with a number of persons in private life whose experience and knowledge lent special weight to their judgment. First and foremost, invaluable help was given by the prominent Canadians, ninety in number, from commerce, industry and labour, the professions and government, who served as members of the Advisory Committees associated with eleven of the project teams. Their names will appear in subsequent reports. Many others gave informal counsel and assistance, including a number of British and United States citizens whose contributions your Commissioners here publicly acknowledge:

- Mr. Herbert Hoover, former President of the United States and Chairman of the "Hoover Commissions".
- The Right Honourable Lord Bridges, G.C.B., G.C.V.O., M.C., F.R.S., Chairman, Royal Fine Arts Commission, formerly Permanent Secretary of Her Majesty's Treasury.
- Lord Plowden, K.C.B., K.B.E., Chairman of the recent Plowden Committee on "Control of Public Expenditure".
- Sir Charles Snow, C.B.E., formerly scientific member of the British Civil Service Commission.
- Sir Edward Playfair, K.C.B., J.P., formerly Permanent Secretary, Ministry of Defence.
- Colonel Lyndal Urwick, O.B.E., M.C., Chairman, Urwick, Orr and Partners, London, England.

- Dr. George Graham, Director of Government Studies, The Brookings Institution, Washington, D.C.

Dr. Wayne Grover, Archivist of the United States, made one of his most highly qualified officers available to serve for ten months on the research staff of the Royal Commission, and together with the Assistant Archivist, Dr. Everett O. Alldredge, rendered exceptional assistance throughout the course of the study.

Mr. Peter F. Drucker, internationally-known adviser to industry and governments, and Mr. Neil McNeil, former editorial director of the "Hoover Commissions" in the United States, were retained as consultants.

In acknowledging the assistance received from these many sources, it must be emphasized that full responsibility for all published findings and recommendations rests with your Commissioners alone. No publication of staff findings as such is planned, nor should members of the Advisory Committees be assumed to have endorsed all the contents of the Commission's reports.

In a subject as complex as this and involving a multiplicity of recommendations, your Commissioners take the view that the qualification or watering down of conclusions to achieve unanimity could only confuse and impair the usefulness of the reports. Varying shades of opinion exist on some points but this and succeeding reports present the general tenor of conclusions reached by your Commissioners.

A number of submissions making far-reaching recommendations on the problems of bilingualism in the federal public service have been studied by your Commissioners. In so far as these have been deemed to fall within the Commission's terms of reference, they have been dealt with in this and other reports. One of our members, Commissioner Therrien, feels that a broader interpretation should be given our terms of reference, and, accordingly, has made a separate personal statement on this subject. This single departure from the policy of collective authorship will be found appended to this report.

OBJECTIVES

Under the terms of appointment, your Commissioners are charged with recommending such changes in the organization and methods of administration of the government as will "promote efficiency, economy and improved service in the despatch of public business".

These objectives have been interpreted broadly to mean that the effectiveness of the public service is as much a matter of concern as is its cost to the public.

The cost is, of course, enormous, and much of the research effort has been directed to finding possible savings. Already, as a result of changes made in

response to suggestions by the Commission, substantial economies have been achieved, and numerous additional money-saving proposals are being studied carefully by departments and agencies. In many other instances, the Commission has served as a catalyst, speeding up consideration of possible improvements which had previously been identified by the public service itself. In its wake, the Commission leaves many ideas—some as firm proposals, others as suggestions for further study.

In some cases, the savings to be achieved can be calculated with reasonable accuracy; in others, only approximations are possible. For this reason, no very reliable estimate can be given of the total economies to be realized, but it can be said with confidence that the recommendations will yield annual savings of many tens of millions of dollars.

In addition, a major part of the inquiry was directed to the improvement of service rather than the achievement of savings. In assessing service and the means by which it might be improved, your Commissioners had first to consider the role of the federal government in the life of the country and the purposes which should shape its structure and practices. From this consideration has emerged a concept of management in the public service which forms the central theme of this report.

This concept may serve a two-fold purpose. First, it establishes the unifying framework for the findings and recommendations in subsequent reports. Second, it is intended to provide simple and practical guide-lines for those with continuing responsibility for the effectiveness of the public service, who must meet new situations which cannot now be foreseen, and deal with existing problems for which this Commission, for want of time or essential data, does not suggest solutions.

The machinery of administration must be made most responsive to the wants and needs of the Canadian people. At the same time, the public servants of Canada must have the widest possible opportunities for developing their varied capabilities and for serving the Canadian public with their collective experience and mature judgment.

Government in modern society is often burdensome and restrictive. Consequently, it will seldom be viewed as better than a necessary evil—and it is a sign of national vigour that this should be so. But the public does itself a disservice if it belittles the public servants by whom the affairs of government are administered. Excellence is nowhere more necessary today than among those charged with the management of public affairs, and excellence cannot be sustained indefinitely without public recognition.

2

THE SETTING OF THE FEDERAL PUBLIC SERVICE

Because it works within the Canadian political order, the machinery of federal administration is subject to influences which find expression through the political process. Certain of the more important of these conditioning factors, which have become permanent forces in the political life of the country, have a special relevance to the administrative process. These must be taken into account in any attempt to develop a general concept of public administration appropriate to the Government of Canada.

SIZE AND DIVERSITY OF CANADA

The most obvious feature of the Canadian setting is the size and regional diversity of the country. The effect of this diversity on the political process in Canada has long been recognized, but its relevance to the machinery of administration seems to have been largely overlooked. Yet the task of national administration in Canada is clearly different from that in more compact and homogeneous countries.

While the centre of federal administration is in Ottawa, most action, as distinct from decision, takes place in the field, often thousands of miles away. More than three-quarters of the public service (excluding the Canadian National Railways, Trans-Canada Air Lines, the Polymer Corporation and the Armed Forces) is to be found in offices and establishments outside the Ottawa-Hull area. However, the organization and administrative processes of the entire public service have been shaped almost exclusively by the needs of the central

apparatus for decision-making. There is little evidence of any attempt to develop effective forms of organization and appropriate working arrangements for the 150,000 public servants throughout the rest of the country.

From the viewpoint of the public outside Ottawa, the local services of the federal administration often appear to bear little or no evident relationship either to each other or to the total needs of the locality. To the local public servant, his working world seems to consist only of his own office and his departmental lines stretching off to the remoteness of Ottawa. For most of his day-to-day administrative needs he must either rely on the limited resources of his own operation, or resort to the time-consuming and often frustrating process of seeking help from headquarters. Equally significant to him is that his career possibilities too often seem similarly bounded. The choice may be either stagnation in his local post or advancement through the ranks of his department but only by leaving his home district. There must be strong links between field offices and headquarters, but the machinery of administration must acknowledge, in its organization, the fact that the work and the careers of the great majority of public servants lie in the field.

Moreover, to most of the public of Canada, these public servants in the field offices are the embodiment of the government of the country. The extent to which the public feel that the machinery of government is responsive to their wants depends largely on the degree to which the field offices can take prompt action appropriate to local conditions. Once again, it is clear that the operations of the federal government throughout Canada must be based on nation-wide policies and standards. But the meticulous central control over field operations, which is all too prevalent today, damages public respect and confidence.

The task of central administration is no less affected by the vastness and diversity of the country. Although local organization must be strengthened and local operating authority enhanced, Ottawa will remain the source of national policies and the point at which the political and the administrative processes are fused. This means that the central administrative machinery will have a continuing need for the most highly qualified and influential public servants.

Because of the high qualifications needed at the centre, the government must attract into the public service an adequate number of the best people from all parts of the country. This has, in fact, been a conscious aim of the Canadian public service for some decades. And because of the generally-recognized influence enjoyed by the central public service, the confidence reposed in it throughout the country will depend, in large measure, on how representative it is of the public it serves. These two considerations obviously reinforce each other.

This idea of a "representative bureaucracy" cannot be applied in any mechanical way, by formula. Any attempt to realize it negatively through the im-

position of quotas is doomed to failure. What is needed is to find positive ways of tapping the best human resources of all parts of Canada.

In the last analysis, the vast size and regional diversity of Canada mean that the public service should serve national unity rather than seek to impose uniformity. It should be designed to recognize—not to submerge—the variety of interests, attitudes and aspirations throughout the country. Only as this aim is achieved can the public service be a strong cohesive force throughout Canada.

THE TWO LANGUAGE GROUPS

A distinctive feature of the Canadian setting is the existence within the country of two language groups, with a long history of political union but so little intermingling that bilingualism is rare in most parts of the country. This has posed a perennial dilemma for the public service: it must serve English-speaking and French-speaking Canadians alike but has been staffed, for the greater part, with public servants trained to speak only one tongue.

Efforts to resolve this dilemma in the past have been concentrated at local levels of the federal administration. The Civil Service Act amendment of 1938, which first recognized the problem, treated it as a purely local matter and directed only that local offices should be staffed with employees able to speak the language of the majority of people with whom they must do business. This was, of course, an inadequate solution even to the problem of local offices, since it made no provision for local minorities.

In fact, however, the more obstinate difficulty lies not in the local offices but at the centre of government. The language of central administration is, for the greater part, exclusively English, and the French-speaking citizen whose affairs bring him to the central offices may well experience difficulty in trying to discuss those affairs in his mother tongue. In recognition of the inadequacies of the 1938 Act, a more satisfactory approach was embodied in the new Civil Service Act of 1961: "The number of employees appointed to serve *in any department* or in any local office of a department who are qualified in the knowledge and use of the English or French language *or both* shall, in the opinion of the Commission, be sufficient to enable the department or local offices to perform its functions adequately and *to give effective service to the public*". The need for effective service to both language groups is the essence of the problem.

Recognition of the language problem of the public service is easier than its solution. However, it is clear where attention might best be concentrated: in the central machinery of administration and especially among those officers responsible for the central direction of administrative services throughout the country. Being drawn, as they are and should be, from all parts of the coun-

try, in most cases these officers are apt to know only English. If the ideal is to be approached, the first step must clearly be a programme designed to make this key group progressively more bilingual. Special circumstances may require similar programmes for other central groups whose work makes a direct impact on the public, or for those who must represent Canada abroad.

The existence in Canada of two language groups has a further consequence for the federal public service. If the objective of "representativeness" suggested earlier is to be met, a career at the centre of government should be as attractive and congenial to French-speaking as to English-speaking Canadians. At the very least, it must be sufficiently attractive to bring to Ottawa more of the highly qualified young people of French Canada.

As matters now stand, appointment to the centre of federal administration seems to French-speaking Canadians to involve abandoning their language and severing their cultural roots. This sense may be dispelled if the central public service can be made more bilingual—to the point, ideally, where the two languages can be used interchangeably for internal communication.

More may indeed be necessary, either to modify prevailing attitudes within the public service or to reduce among public servants from all parts of Canada the sense of severance from familiar social institutions. For the present, such possibilities can only be noted. There are no quick or simple measures available, and even to define clearly what is needed would involve the study of matters lying well beyond the terms of reference of this Commission.

THE FEDERAL SYSTEM

It is not part of the task of your Commissioners to assess the nature and workings of the division of powers inherent in the federal system, but it has several implications for the machinery of administration which must be recognized.

First of all, no matter how carefully the lines of federal and provincial jurisdiction may be drawn—in the British North America Act, by judicial decision, or by agreement between the national and provincial governments—the two spheres of authority will of necessity overlap. This may occur because of the existence of concurrent powers and interests, as in agriculture, because the two levels of government are providing similar services to different elements of the population in a given area, or because they are concerned with different but related needs of the same group of people. The basis and extent of mutual accommodation in such situations will ultimately be decided politically, but much may be done in the administrative sphere to harmonize the activities of the two levels, without impairing the autonomy of either. Specifically, it would seem sensible that where federal departments accept

a residual responsibility in an area where the provinces already have a primary and more direct concern, they should consider whether their administrative needs might not best be met by the use, on mutually acceptable terms, of existing provincial machinery.

Moreover, the two levels of government have made common cause in meeting a broad range of public needs, usually on the initiative of the federal administration. The constitutional propriety of some of these joint programmes has been questioned, but this clearly lies beyond the terms of reference of this Commission. For the present purposes, the important fact is that such arrangements exist, many of them universally accepted. In the view of your Commissioners, it is essential to avoid irksome and costly processes of review and control at the national level which merely duplicate provincial activity.

Administrative co-operation between the federal and provincial governments can serve the Canadian public well, but only if it is based on a clear recognition of the authority and responsibility proper to each level, and on mutual respect for each other's administrative competence.

Another important consideration is that the federal system does not embrace the whole country. In the North, the federal administration must concern itself with matters which, in the rest of the country, are the responsibility of provincial governments. This situation has created a persistent problem for the Government of Canada.

Since Canada first acquired national territories in 1869 it has tried a variety of solutions to the problem. None has been notably successful. There may, in fact, be no completely satisfactory solution; certainly no other country in like circumstances has found one. But it would seem to be axiomatic, especially if the ultimate creation of additional provinces is contemplated, that the administration in the North of those matters which are elsewhere of provincial concern should, as far as possible, follow provincial patterns of organization. This will provide the administrative nucleus of future provinces and give the departments of national government essentially the same administrative roles in the North as they have in the rest of the country. Even if this can be done, however, the peculiar problems involved in operating in the North require special measures to co-ordinate northern activities arising from the government's national responsibilities.

3

THE POLITICAL CHARACTER OF PUBLIC ADMINISTRATION

The machinery of government in any country can only be understood against the political setting in which it works. In Canada, it must be assessed within the framework of parliamentary democracy acquired partly by inheritance and partly by evolution.

POLITICAL ACCOUNTABILITY OF THE EXECUTIVE BRANCH

↓ Traditionally, the entire executive branch is responsible to the Crown which forms its apex, and constitutes, in the strict historical sense, Her Majesty's civil service. Since the mid-nineteenth century, however, Canadian ministers have been held accountable to the public's representatives in Parliament. And with the development of political parties as instruments for mobilizing public opinion and for maintaining stable parliamentary groupings, the accountability of the executive branch has, in a very real sense, been carried one step farther—to the Canadian public directly. Governments today are normally made and unmade at the polls. In the process, the old concept of the sovereign's civil service has given way, even in much of the law of the land, to the new concept of a "public" service. / 178

This change in the accountability of the executive branch has an important bearing on the standards by which government action is judged. In the last analysis, government rests on public acceptance—"the consent of the governed". Countless different public attitudes, wants and expectations must be reckoned with and reconciled, to produce, as has been said, equality of dissatis-

faction. Clearly, the test of public acceptance lacks the comparative rationality of the market forces by which, in the main, business operations are tested. In the eyes of the public, good management, in the sense in which it is understood in the business world, is not necessarily synonymous with good government.

“UNLIMITED LIABILITY” OF MINISTERS

Concurrently with the development of the “public” service concept, it has become established that direct accountability to Parliament and to the public is imposed only on ministers. Public servants continue to be answerable for their honesty and competence to their ministers, through the ascending scale of their departments, but they bear none of the political consequences of their acts. As a corollary, the individual public servant has given up his right to engage in any partisan political work. In the result, the principle has been accepted that the business of government should be conducted by a politically-neutral career service under the direction of elected representatives and ministers.

Since the emergence of this principle, it has been accepted that ministers are accountable for all the administrative acts of their departmental staffs. There was a time when ministers could, because operations were on a relatively small scale, provide a degree of detailed direction consistent with personal responsibility.

That day is long vanished, but two circumstances have combined to perpetuate the fiction of total responsibility. One is the fact, already noted, that governments rest on the consent of the governed, and that each voter's electoral choice may be influenced by his day-to-day encounters with public servants. The other is that governments work in a climate of controversy and that it is a central function of political parties to sustain this climate by creating issues—frequently over the rights and wrongs of individual administrative actions.

It follows that all public administration has at least potential political implications. While the public servant must be politically neutral in doing his job, he serves his minister badly if he is unaware of, or indifferent to, the political consequences of what he does. For, in effect, by accepting full political responsibility, ministers stake their careers, in part, on the political sensitivity of their officials. It is no part of the job of public servants to substitute their own political judgment for that of their ministers, but there is a need for them to recognize situations in which political guidance must be sought. In the junior or more technical segments of the public service this need is negligible, because the political implications of the work are insignificant. But among senior administrators the need becomes progressively greater as the rank increases. The natural process of selection within the public service therefore tends to bring to the

top those officials who have shown a sensitivity to the political aspect of their function.

Along with their unlimited accountability, ministers possess, collectively or individually, corresponding authority. They therefore have a very real power, however much it may be held in reserve, to intervene on any administrative matter and "to tell their officials what the public will not stand".

MINISTERS AND OFFICIALS

While ministers are accountable for, and consequently interested in, all aspects of the operations on which their departments are engaged, they are not usually, either by experience or inclination, professional administrators. Rather, their strength lies in their essential political skill in assessing the complex of public attitudes and claims, and in exercising policy judgment for their officials.

The minister must thus leave to the deputy head, his senior professional administrator, the actual control of operations. This becomes the more essential as operations grow in scale and complexity. What should result, in effect, is a relationship between the two, if not of equality at least of partnership. The minister who tries actively to manage his department may be capable of doing it well because of special aptitude and experience. But, given the size and complexity of present day operations, he cannot become personally involved in administrative detail without neglecting his essential political function of policy determination. Permanent heads, for their part, while having an indispensable role to play as advisers to their ministers on matters of departmental policy, cannot avoid full personal responsibility for the day-to-day management of the organization.

It should never be overlooked that senior civil servants play a constitutional role in government. They have no responsibility for public policy but, belonging to no party, they are for that very reason an invaluable element in party government. It is through them that the transference of responsibility from one party to another—or, within a government, from one minister to another—involves no destructive shock to the administrative process.

Some other countries have, by statute, given permanent officials an independent authority over specific administrative functions, with corresponding personal accountability. This has rarely been done within parliamentary systems similar to Canada's. Obviously, where such a pattern is established, there must be a willingness on the part of both the legislature and the public at large to absolve ministers of their normal political accountability for the functions concerned. Otherwise, an area of potential conflict between min-

isters and their officials would be created, destructive of the good faith and mutual confidence which must characterize their relations.

In the last analysis, there cannot be any precise formal division of authority between ministers and their officials. Their partnership must depend on the existence of suitable working arrangements for which no legislative blueprint can be drawn. Your Commissioners, in this and succeeding reports, present a concept of management which will, it is hoped, commend itself to political leaders, administrators and general public alike, by its good sense and relevance to the needs of each group.

4

GROWTH AND CHANGE IN GOVERNMENT

In the century of rapid and continuous growth since the framework of Canadian government was settled, economic and social changes have created new public wants that have affected governments everywhere. At the same time, new resources have become available to meet public needs. The resulting action by government has both influenced the direction of Canadian development and accelerated its pace. In the process, the role of government and the character of its activities have changed radically. But there has been a marked lag in the adjustment of concepts and processes of public administration to the changing circumstances.

THE RAPID GROWTH OF GOVERNMENT

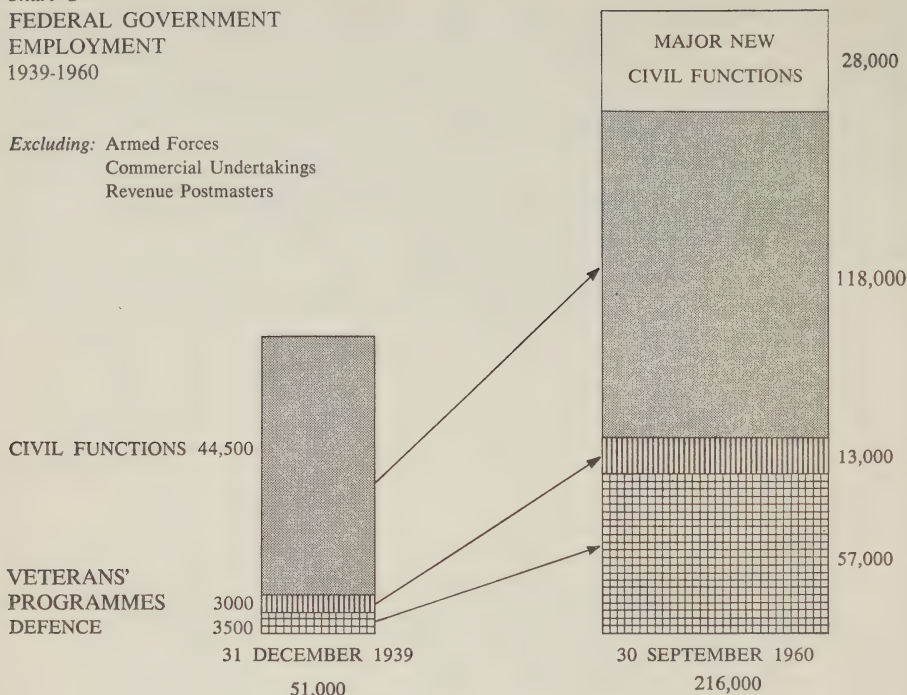
The expansion of the government of Canada is revealed strikingly in the growth of the public service and the rise in government expenditures.

Employment figures for the early years are unfortunately incomplete, and even today few records are kept on any comprehensive and consistent basis. However, the general outlines of the pattern can be discerned. (*See Chart 1, overleaf.*)

In nearly a half century, from the eve of World War I to 1960, the civilian public service (the essentially commercial corporations and staffs of revenue post offices are excluded throughout this account) increased roughly nine-fold, from 24,000 in 1913/14 to about 216,000 in 1960, of whom 188,000 were full-time employees. During the same period, the popu-

Chart 1—
**FEDERAL GOVERNMENT
 EMPLOYMENT**
 1939-1960

Excluding: Armed Forces
 Commercial Undertakings
 Revenue Postmasters



lation of Canada increased two and one-half times. The civilian portion of the federal public service has thus grown at almost four times the rate of population increase.

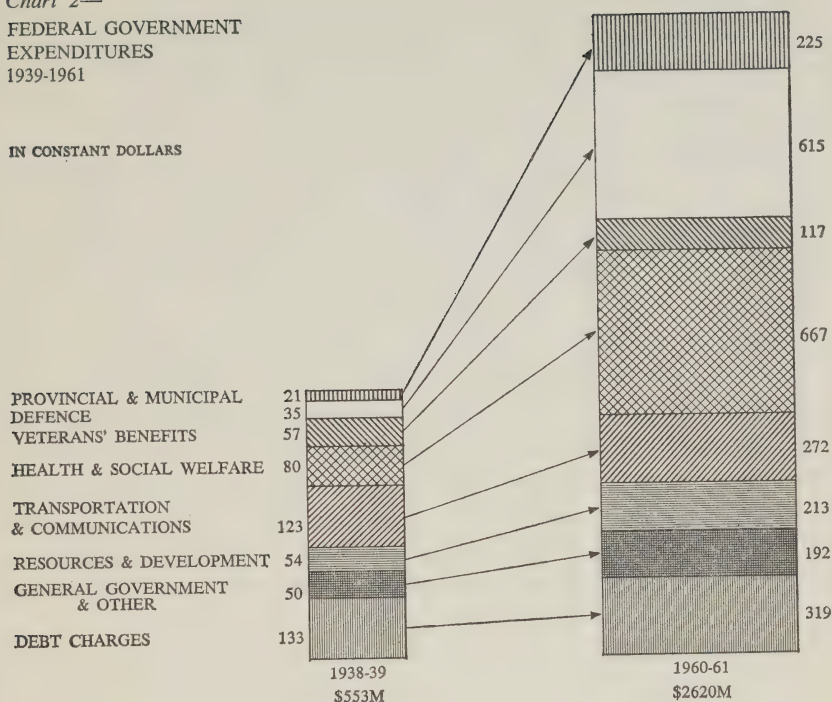
During the first World War the public service doubled. One-third of the war-time increase was eliminated in the years 1920-25, but by 1939 it had grown again to its 1920 level. At this point, on the outbreak of World War II, one per cent of the civilian labour force was in the public service, compared with slightly less than one per cent in 1914. During World War II, however, the civilian public service more than trebled, and by the end of hostilities accounted for three and one-half per cent of the labour force. In the years immediately following it shrank slightly, but this decline was arrested by the Korean emergency. Since 1950 it has kept pace with the growth of the labour force, of which it continued to represent almost three and one-half per cent in 1960. The turning point was clearly 1939, and the public service of Canada, as it exists today, must be recognized to be largely the product of the last two decades.

Examined more closely, the record discloses that war, the threat of war and the aftermath of war have caused nearly forty per cent of the increase in per-

Chart 2—

FEDERAL GOVERNMENT
EXPENDITURES
1939-1961

IN CONSTANT DOLLARS



sonnel since 1939. Almost twenty per cent is accounted for by the assumption of major new civil functions which were virtually unknown to the federal government in 1939—such as unemployment insurance and the employment service, family allowances and universal old age pensions, large-scale support for housing, the development of atomic energy, air traffic control, and upper atmosphere research.

Thus, little more than forty per cent of the increase in the public service relates to areas of civil administration which were of concern to the Government of Canada before the second World War. Even so, these pre-war functions are today employing roughly two and one-half times as many public servants as in 1939, although the Canadian population has increased during the same period by only two-thirds.

The record of government spending shows a similar pattern. (See Chart 2, above.) From 1939 to 1961 the expenditures of the federal government, including old age security payments, increased twelve times, from \$553 million to \$6,550 million. Making allowance for the change in the value of money, the increase in constant dollars was almost five-fold. Because of the rise in population, expenditures on a per capita basis increased three times, measured

in constant dollars. However, since the real per capita income of Canadians nearly doubled during these years, the burden of federal government spending borne by individual Canadians actually rose from thirteen to about twenty per cent of average income.

As might be expected, the increased cost of defence and the aftermath of past wars accounted for a major part of the increase: roughly thirty per cent. The rise in interest costs on the national debt, another legacy of World War II, accounted for a further eleven per cent of the increase. Thus, the burdens attributable to international tensions and past wars gave rise to more than forty per cent of the increase in spending. Payments to the provinces and municipalities, greatly enlarged by war-time and post-war agreements, accounted for another seven per cent. Twenty-five per cent, approximately, represented the cost of major new functions, especially those relating to national health, welfare and housing, assumed by the federal government since 1939. In effect, less than thirty per cent of the increase in expenditures went to those civil functions which the government had performed in pre-war years. From 1939 to 1961 the per capita cost of these functions, measured in constant dollars, rose by about eighty per cent, which was slightly less than the rate of increase in average income.

Broken down in this way, the growth of government seems much less startling. Nevertheless, in absolute terms, this growth has been impressive, and has created major and largely unattended problems of adjustment in the management of the machinery of administration.

THE GROWING COMPLEXITY

The task of adjustment has been further complicated by the transformation in the role of government which has accompanied its growth.

This transformation is frequently described as a change from negative, *laissez-faire* government to positive government actively promoting the development of the country's economy and the welfare of its people. In Canada, however, the text-book version of *laissez-faire* government—"the nightwatchman state"—has never existed. Confederation itself was conceived in large part as a means to economic development, and from the earlier days the Government of Canada has been continuously concerned with promoting the economic development of the country.

To this extent, the basic role of government has not changed. But from the relatively simple beginnings in the nineteenth century, the government has become progressively more involved in an increasingly complex economy—promoting, supporting, protecting, regulating and controlling by a growing variety of means, direct and indirect, general and specific. More and more it has had to

inform itself in detail of the condition and prospects of all segments of the economy, to assess the impact of government programmes and plans on each segment, and to measure and adjust the increasingly complex interplay of its policies and programmes. The list is now virtually endless: fiscal and monetary policy, the customs tariff, sales and excise taxes, the income tax structure, transportation policies and services, subsidies, patent and copyright laws, research programmes, the regulation of standards of quality, restrictive trade practices regulation, the promotion of foreign sales and domestic consumption, export credits and guarantees, and many others. Willy-nilly, government has become the great regulator of Canadian economic life.

A similar trend towards complexity has affected the more traditional tasks of government—the maintenance of internal order, the conduct of foreign relations and national defence. Crime and its prevention or detection have become increasingly systematic and technical, and new concepts of penology are transforming the treatment of offenders. The conduct of external relations has been complicated, first of all, by the increase in international tensions, the break-up of colonial empires and emergence of new national states, and the proliferation of international organizations and programmes. At the same time, as economic life has developed in all countries and as governments have become more widely and more deeply involved in economic affairs, each has acquired a widening range of international interests and the points of intersection between their respective courses have multiplied. For the Government of Canada these developments have caused a ten-fold growth of the Department of External Affairs since 1939, and the creation of establishments outside Canada by many departments and agencies generally thought of as domestic.

The change in national defence policy has been especially marked. Even as recently as the nineteen-thirties, national defence in peacetime involved the maintenance of just a nucleus of wartime forces, largely isolated from the civil life of the country, and the operation of two arsenals to supply unsophisticated munitions. These entailed the diversion of only a modest part of the national wealth. Today, under the influences of heightened international tensions and technological change, the Armed Forces make heavy inroads on the labour force of the country, especially for highly skilled scientific and technical people; rapidly changing equipment-demands absorb a significant proportion of Canada's industrial output and influence the pace and direction of much of its industrial development; the overhanging threat of catastrophic and near-universal devastation makes some aspect of national preparedness the responsibility of almost every branch of government. And the greatest impact of these changes has been felt within the Armed Forces themselves and their administrative apparatus which equal in size the entire machinery of civil government.

In the relatively new area of concern—social welfare—the activities of the federal government have fallen into two categories: those which involve the direct provision of services, and those which work indirectly, by influencing national patterns of income and expenditure. The administrative implications of the two are radically different.

Since the start of this century the federal government has provided a widening range of educational, medical and welfare services to specific groups among the Canadian people: Indians, Eskimos, war veterans, dependents of the Armed Forces, immigrants and mariners. It has also carried on research and general public education in matters of health, welfare, housing and town planning. Hence, the government has become involved in the construction and operation of schools, hospitals, laboratories and domiciliary care institutions, and in the employment of teachers, doctors, nurses, social workers and other professional and technical personnel involved in such programmes.

On the other hand, the last two decades have seen growing emphasis on indirect methods of promoting social welfare, of three general kinds. First, through transfer payments such as family allowances and old age pensions, the government has, in effect, accomplished a redistribution of income. Second, through a growing array of grants, low-interest loans and mortgage insurance arrangements, it has influenced the pattern of national expenditure to promote more acceptable standards of health, housing and education, and the development of the arts and sciences. Finally, through contributory schemes such as unemployment insurance, it has sought to create a cushion against personal misfortune.

These three types of programmes impose an administrative burden on the federal government which is relatively slight in comparison with that of the direct provision of services. All three depend on the resources of the other levels of government or of the community at large for the facilities and skills needed for social welfare. As the welfare state develops, the need for intervention by the federal government to provide direct services seems likely to decline; already the continuance of certain medical services is open to question as a result of the establishment throughout the country of hospitalization schemes financed, in part, by the federal government.

One other aspect of the change in government operations remains to be noted: the growing influence which the government itself, as the country's largest investor and largest buyer of accommodation, supplies and services, exerts on the economy. The economic implications of the national budget and of public investment policies have been recognized for some decades. But as the scale of government activities continues to grow, other more specific effects become evident: the impact of its purchasing policies on the rate and course of develop-

ment in particular industries or regions; the impact of its land use and building policies on the pattern of urban development in communities where it is a major owner and occupier of space; the influence which, by its timing of purchases and construction programmes, it can exert on seasonal fluctuations in employment. Increasingly, the administrative procedures by which the government meets its operating needs are becoming in themselves matters of economic and social significance.

PROLIFERATION OF CONTROLS

At an early stage in the growth of the federal government, weaknesses in its administrative machinery and practices began to appear. Ministers and their deputy ministers in particular were unable to maintain adequate control over the use of people and money. Remedies were sought through the imposition on departments of external controls over their handling of personnel and financial matters.

Attention was first focussed on the widespread use of political patronage as the basis for appointment and promotion within the public service, against which protests were raised shortly after Confederation. Before the first World War, the critics of patronage made little headway, although the Civil Service Act of 1908 established a Civil Service Commission with limited powers of appointment and introduced the competitive examination as a basis for selection. The limitations of this Act were such that it was largely ignored in the rapid expansion of the public service during World War I. At the same time the demanding tasks of wartime administration underscored the growing need for competence. The result was the Civil Service Act of 1918, the principles of which have been carried forward into the new Act of 1961.

The 1918 system rested on two fundamental principles: a career service based on merit, and a unified public service. The first, which had had half-hearted recognition in the Act of 1908, involved a curtailment of the traditional authority of ministers over all aspects of administration. The power to appoint and promote was taken out of their hands and entrusted to a Civil Service Commission consisting of three Commissioners answerable directly to and removable only by Parliament. Appointments to the civil service were to be based on competitive examination, and promotions were to be made by the Commission using such means as it might choose to determine merit. At the same time, civil servants were debarred from partisan political work.

The desire to create a unified public service was reflected in the sweeping powers assigned to the Civil Service Commission to review all organizational proposals of departments as a prerequisite to government approval, to control

classification, to recommend rates of pay, and to frame regulations respecting a number of other matters. The effect of this legislation was to equate unity with uniformity, and when it became evident subsequently that many parts of the public service did not lend themselves to uniformity of treatment, it was necessary to exempt those parts from the operation of the Act. When this was done, both the safeguard against patronage and the objective of a unified public service were abandoned.

It should also be noted that the Act of 1918 confirmed beyond doubt that the civil service was subject to parliamentary control and direction in all its aspects. Its character as a "public" service was thus established. This stands in contrast to the situation in the United Kingdom, where the government service continues to this day to be regulated by Order in Council, in keeping with the traditional concept of it as the sovereign's civil service.

What went unnoticed in Canada in 1918—or, at least, unlamented—was that the new system stripped the departments of any formal power to control the selection, organization, grading, remuneration or career development of their staffs. Yet, in spite of this, the system gained immediate favour with departments, which it retained throughout the succeeding years. It unquestionably succeeded in its immediate object: the elimination of patronage throughout most of the service. This alone seemed worth almost any price.

During the first decade of the new system, the functions of the federal government remained virtually unchanged and the number of its employees actually declined. Expansion in the nineteen-thirties was modest and gradual. In the Great Depression, government jobs became eagerly sought after, and the main task was not to attract competent entrants but to select from among many suitable applicants. By contrast, the expansion in World War II was explosive, but the limitations imposed by the system of central control were minimized by the frequent resort, in the prevailing mood of urgency, to temporary expedients for organizing and manning the machinery of wartime administration. Only in the post-war period, therefore, was the 1918 system put to a serious test of its ability to meet the administrative needs of a large, complex and, after 1949, expanding public service.

Some years following the creation of central control over personnel administration, a comparable system of financial administration developed. The stimulus in this case was the onset of economic depression at the end of the nineteen-twenties, and the occasion was provided by the change of government in 1930.

Until 1930, the handling of public funds had been governed by the Consolidated Revenue and Audit Act of 1878, under which control over expenditures by departments was so loose that their funds were frequently over-

spent. Moreover, no central record was kept of the government's outstanding liabilities, and a survey made in 1930 revealed substantial over-commitments; it was found, for example, that the government was three years in debt to its furniture suppliers. These discoveries, coupled with the drop in revenues brought on by the depression, led in 1931 to a revised Consolidated Revenue and Audit Act which established a pattern of central control over financial operations of the departments.

The 1931 Act created a new officer, the Comptroller of the Treasury, with the task of ensuring that funds voted by Parliament were used for the purposes intended and that the authority to spend was not exceeded. This new officer was required to keep a continuous record of commitments, issue cheques, scrutinize all departmental expenditures to ensure that each rested on proper authority, and maintain for each department detailed accounts of all authorizations, commitments and payments.

At about the same time, there was a general tightening of control over various administrative procedures, partly in the name of greater uniformity but primarily to achieve economies. Increasingly, the principal agent in this process was the Treasury Board, a committee of ministers which had been established in 1867 and given statutory recognition in 1869. Designed to serve as a committee of Cabinet on matters of finance, accounting and general administration, the Treasury Board was, in fact, relatively inactive prior to 1931; it met monthly or less often and concerned itself with matters of detail such as reclassification of positions, travel and removal expenses, and grants of superannuation. Throughout the nineteen-thirties, however, the Board became increasingly active, extending its regulations to cover in detail a wide range of personnel and general administrative matters. These regulations in the form of Orders in Council or Treasury Board Minutes, grew steadily in volume and became a principal point of reference for the growing staff of the Comptroller of the Treasury in the pre-audit of departmental expenditures.

Until 1951, one major administrative responsibility—the control of contracts—remained in the hands of the Cabinet itself. Before the outbreak of the second World War, the Cabinet limited its review to proposals for public works contracts, and departments were allowed almost complete freedom in the purchase of supplies. From 1939 on, however, most war supply contracts were brought under Cabinet scrutiny, and in 1951 the control of all contracting was assigned to the Treasury Board. All major contract proposals, whether for the acquisition of land, the construction of works and buildings or the purchase of supplies and services, thereafter required specific approval by the Board, and all other contracts became subject to its regulations.

To a significant extent, the freedom of the operating departments in matters of accommodation, equipment and supply was further attenuated by the necessity of satisfying their needs through other departments such as Public Works, Public Printing and Stationery, and Defence Production, each of which exercised its own judgment within varying limits. These departments, in turn, were subject to the controls imposed by the Treasury Board.

All told, the structure of control built up between 1918 and 1951 was impressive—and unique. Measured against the most narrow objectives, it was also unquestionably effective: the standards of probity reached by the Government of Canada in its use of people and money are high. But good management consists in more than the avoidance of sin, and this Calvinistic approach to public administration, while well designed to discomfit bad managers, was bound to prove most frustrating to good ones.

Inherent in this system of control has been a tendency to self-perpetuation. By divesting departments of the authority essential to the effective management of their own affairs, the system tended to weaken their sense of responsibility. Each new evidence of irresponsibility within departments seemed to confirm the wisdom of the existing controls and to suggest the need for more.

This tendency has been further aggravated by the inbred character of control agency staffs, many of whom have made their entire careers in the centres of control. Set apart from departments in this way, the control agencies have been excessively mistrustful of departmental competence and integrity, and too prone to question and even override departmental judgments on operational matters. The assumption of a monopoly of virtue has been their besetting sin.

Fortunately for Canada, during the years in which this control apparatus was developing, the public service succeeded in attracting a number of exceptionally able administrators—for which achievement due credit must be given to the 1918 Civil Service Act. While the most perfect system cannot compensate for incompetent leadership, good men may succeed in the face of almost any obstacles of defective organization. But the damage to efficiency can be great.

NEW RESOURCES AND TECHNIQUES

Just as the changing scope and character of federal activity must respond to the changing character and needs of the Canadian community, so the government's structure and methods must take account of new resources and techniques as they become available.

Rapid developments in technology in the past century have transformed

administration no less than production, distribution, and the general standards of wealth and welfare. Early inventions such as the telegraph, telephone and typewriter enlarged the scale of effective administration and gave rise to new patterns of organization. Without business machines, many major government programmes such as family allowances, universal old age security and statistical services, would create intolerable administrative burdens. The value of these machines as tools of internal management has been equally great. The development of electronic computers carries one step further the process of technological change in administration. By making vastly increased resources of information readily available, in whatever form required, the new technology continues to enlarge the boundaries of effective action at a rapidly accelerating pace.

Inevitably, the changing technology creates an urgent need to adapt administrative structures and practices. There has been growing recognition that, in essence, the new devices and systems are only tools which serve, but cannot replace, the human mind. For administrators they create new opportunities and new responsibilities. For operating staffs they involve retraining for more challenging work rather than a displacement of labour. And because of their high cost and gargantuan capacity, their main effect on the structure of organization is to create new administrative "machine shops"—data processing centres which can respond to the demands of administrators and operators throughout the organization with increasing versatility.

As the largest organization in the community, government must, in the long run, feel the greatest impact of this new technology. It will also face the greatest task of adjustment. At senior levels of the service, there must be a growing awareness of what these machines can do, and of the administrative consequences of their use.

The increasing maturity and sophistication of the Canadian economy, which have given rise to so many of the new responsibilities of the federal government, are also of significance to its operating methods. The steadily expanding range of services, skills and goods available from private sources must be considered by the government in deciding how its administrative needs for such services and goods might best be met. Existing operations must be continually reviewed to identify instances where the development of external sources of supply might warrant—and might be furthered by—the abandonment of long-established internal sources. Attention must also be paid to the expanding services provided by other levels of government in Canada.

The case for contracting out to external sources rests primarily, not on any assumption that such sources are necessarily superior in virtue or effi-

ciency, but rather on the fact that the essential concern of government is with the attainment of goals of public policy. The particular instruments by which these goals are reached are of secondary importance at best, and preoccupation with them can only divert the attention of ministers and administrators alike from their primary purpose. Most government operations are undoubtedly practical necessities for the execution of its policies but, other things being equal, it is preferable to buy rather than to make, in order to restrain the continuing spread of government and to strengthen the private sector of the economy.

The increasing diversity of Canadian economic life has also given rise to growing competition between government and private business for administrative, professional and technical skills. This has necessitated increasing attention to the relative attractiveness of public employment, reflected for example in the creation of a Pay Research Bureau to examine trends in the private sector. Moreover, developments such as unionism, new patterns of industrial relations, and social security programmes, both public and private, affect the government as employer and require it to re-examine its own employee relations and incentives. With the emergence of strong staff associations in the public service, the impact of these external developments has already been felt and received statutory recognition in the Civil Service Act of 1961. The future course of developments cannot be forecast with any precision, but it is clear that the paternalism which has characterized employer-employee relations in the public service is giving way to new processes for the mutual accommodation of interests.

The growth of large-scale industrial and commercial organizations has been accompanied—and facilitated—by the development of a wide range of management “tools”: budgetary and accounting systems which permit better control over the allocation of financial resources and the assessment of performance; operational research and other techniques for evaluating alternative courses of action and for designing and appraising methods and systems; and improved methods of identifying and developing personal capabilities to eliminate chance and favoritism. Most of these techniques are understood in part of the public service, and many have been introduced, but by no means systematically.

Between government and business there are, of course, significant differences. One of these has already been noted: the political character of public administration and of the tests by which it is judged. Another obvious difference lies in the absence of the profit test in public administration as a guide to the allocation of resources and as a measure of competitive performance. Despite this apparent difference, both kinds of organization share the com-

mon objective of achieving maximum productivity. The immediate aim of the techniques of management developed for industry is to attain the organization's goals with the greatest possible economy of effort. Consequently, most of the techniques of management developed for business can be adapted to government, due allowance being made for the different tests by which economy or productivity must ultimately be judged.

5

THE TASKS OF MANAGEMENT: A NEW APPROACH

The frustrating effects of the preoccupation with controls have, in recent years, become increasingly evident both within the public service and among the public. The urgent need now is to identify the tasks of management facing the Government of Canada under present and foreseeable conditions, and to devise patterns of organization and guides to action which will best accomplish these tasks.

The needs of effective management fall into two general categories: first, those associated with the administration of departmental operations; and second, those involved in the central direction and co-ordination of government activities as a whole.

THE NEEDS OF DEPARTMENTAL ADMINISTRATION

The departments, as the active operating organizations of government, must be taken as the starting point in any search for greater efficiency and economy or improved service to the public.

The typical modern department is a large-scale organization, charged with a wide variety of services to or on behalf of the public or with the enhanced housekeeping tasks of accommodating, equipping and servicing the new operations. Its activities may encompass a large commercial undertaking like the postal service, the operation of harbours, airports, research laboratories and experimental farms, hospitals and schools, or marketing, lending and insurance services. It may need specialists in purchasing, design and construction, trans-

portation, communications, economic and social research, statistical analysis, records management, data processing or public relations. The lists could be extended almost indefinitely.

Each extension of government operations has increased the need for ministerial attention to policy. Simultaneously, it has increased the complexity of the administrative apparatus and the demands on administrative leadership. As a consequence, it is virtually impossible for ministers to be, in any real sense, the managers of their departments.

The size and complexity of departments also create a growing need to distinguish between the actual conduct of operations and the task of departmental administration. The former requires skill in the special operating techniques, the latter in the more generalized functions of management. To confuse the two functions within a department may be as damaging as to confuse the respective functions of departmental management and central directing agencies.

This distinction between administration and operations is of particular importance to organization. Administration is concerned with functions which must be performed at the directing centre of each department, regardless of its size, its programme responsibilities, or the geographic dispersion of its activities. The organization of operations, on the other hand, must be devised with precisely these considerations in mind. Unless operations are dispersed and operating responsibility delegated, administrators may be diverted from their essential task by the intrusion of operational questions. Where operations involve dealings with the general public, dispersion and delegation will make departments most responsive to public needs.

It is the task of departmental administration which needs to be clearly defined—the task common to all departments. Its principal elements can be set out as follows:

- To advise the minister, with the assistance of the chief operating personnel, on matters of departmental policy, and to serve as the channel through which ministerial direction flows to all parts of the department.
- To prepare plans of future programmes for consideration by ministers, and to forecast future needs for money, staff and other resources.
- To adapt the departmental organization to its programme responsibilities.
- To ensure the availability of qualified staff and other resources needed for departmental programmes, within the general limits authorized by ministers, and to allocate such resources.
- To develop and apply the tools of management appropriate to its operations.

- To appraise the performance of the operating units and of the administrative staff itself.

The fact that these functions are common to departmental administration throughout the public service means, in effect, that senior administrative staff can be used interchangeably among departments. Rotation of such senior personnel can be highly advantageous in promoting consistency, strengthening areas of weakness and, more generally, sustaining vigour within departments and among the administrators themselves. Administrators and the more specialized professional staffs should not, however, be treated as castes separate one from the other. Senior administrative posts should be accessible to all who have the essential qualifications of an interest in and an aptitude for the practice of management. But administrators should not be chosen because of professional qualifications unrelated to the functions of management. There must be other roads of advancement open to the specialist whose interest lies in the practice of his professional skills.

There is some evidence of a partial recognition of the proper role of departmental management in the public service. A number of departments have in recent years made substantial progress in the use of appropriate accounting techniques and other tools of management. The control agencies themselves have shown a growing awareness of departmental needs, and one of the major innovations in the Civil Service Act of 1961 is the provision that the Commissioners may delegate certain of their powers to the permanent heads of departments. But such changes have been marginal and the general system of control remains substantially undiminished.

The costly, frustrating and unproductive character of the existing system has been most strikingly acknowledged in the frequent resort to the use of semi-autonomous boards, commissions and corporations. By such devices, the established patterns of control have been abandoned in favour of forms of organization borrowed from the private sector. Ministers to whom such agencies formally report have tended to disclaim responsibility for their day-to-day operations on the grounds that these were the concern of the corporations' management. Thus, the agencies enjoy an administrative independence denied to departments, despite the fact that many of the activities of the two differ little, either in character or in their public impact.

In a few cases accountability is to Parliament directly; more frequently, a minister is answerable. While not intervening in day-to-day actions of these agencies, ministers are deemed to be accountable for their broad policies and the general efficiency of operations. And against this ultimate accountability are set ultimate powers: to choose and remove the top managers; to define

their objectives and policies in varying degrees of detail; to control their capital programmes and, in many cases, their operating budgets; and to require management audits at will. These are, in fact, the only powers which, realistically, a minister can normally exercise over his department. Tradition and the need for a reserve of power will require that all formal authority and the corresponding formal responsibility continue to reside in ministers, but they should be held personally accountable only for the policies and general effectiveness of their departments.

A further conclusion to be drawn from the experience with the agencies is that the meticulous controls to which the departments are subject are not essential to ensure the honesty and efficiency of operations or their conformity to public policy. What has been demonstrated is the utility in large-scale government operations of many of the management concepts and techniques of internal control developed in the private sector of the economy.

Almost certainly, the emergence of these non-departmental forms of organization must be regarded as a response to the changing role of government. This change has been of equal relevance to the departments, and the new agencies are therefore evidence of the failure to adapt the traditional forms and their underlying concepts to the new circumstances.

Above all, departments should, within clearly defined terms of reference, be fully accountable for the organization and execution of their programmes, and enjoy powers commensurate with their accountability. They must be subject to controls designed to protect those general interests of government which transcend departmental interests. But every department should be free of external controls which have no such broad purpose.

THE NEEDS OF CENTRAL DIRECTION

Although the departments are the primary operating units, each, as has just been noted, is only a segment of a single entity—the Government of Canada. The policies and programmes of each must be balanced against and harmonized with those of other departments and agencies; they must justify themselves, in the last analysis, in terms of their contribution, not to the department itself or its particular interests, but to the general interests of the Canadian people. The money it spends is not departmental money available as of right, but public money, and the ultimate test of its spending is not of its legality but of its effectiveness in the view of the public. The members of its staff are not departmental employees but members of a single public service, whose abilities must be so developed and so employed as to secure their best use for Canada. Thus, the authority of each department, however much

it should be strengthened, must be subject to the overriding needs of the government for unity, coherence and a proper regard for the general interests of the Canadian public.

The functions of overriding concern to the government collectively include the following:

- To weigh public desires for federal government action against the willingness and ability of the public to bear the financial burdens involved, and to establish the limits of action and the apportionment of burdens in an overall financial plan—the annual budget.
- To assess the financial, administrative and organizational implications, both immediate and long-term, of existing and proposed programmes, including the costs and benefits of each and its relationship to other programmes, and to define priorities and allocate the resources available within the limits of the total financial plan.
- To establish policies and standards governing the use, throughout the government, of money, staff and other resources, defining the objectives to be sought and guide-lines to be observed by departments, but without trying to prescribe the application of administrative policies and standards in detail.
- To ensure that all departments and agencies have strong administrative leadership and that the human resources available are consistently used for the greatest benefit of the public service as a whole.
- To foster the development and application of effective management practices for the control and improvement of operations throughout the government.
- To assess the general effectiveness of departmental activities and, in particular, the performance of departmental administrators in discharging their functions, as defined above.
- To maintain accounts in a form meeting the needs of Parliament and the Executive, which disclose the sources of public funds and the purposes for which they have been spent.
- To adapt the machinery of government to its changing tasks and objectives.

These functions of administrative direction are, of course, subordinate to the overriding task of political leadership: to define the goals of national interest to which government action is to be directed. The machinery for accomplishing this task embraces, in fact, the entire political process.

The tasks of central direction listed above are, of necessity, the collective responsibility of the government as a whole. But a collective responsibility for management can only be met effectively if there is one person whose job it is to furnish initiatives and ensure that the collective decisions are executed. In effect, this is essentially the same job individual ministers have in relation to their portfolios since, in the last analysis, all government policies and actions are the collective responsibility of all ministers.

Among the functions of central direction, only one, the preparation of the budget, has been assigned on this basis to an individual minister—the Minister of Finance. And it is significant that this is, at present, the only highly developed function among the eight listed. All others remain wholly collective concerns in varying states of underdevelopment.

✓ In a private organization, it is the task of the chief executive officer or general manager to ensure that these needs are met. But the Government of Canada has not, and probably cannot have, a single chief executive in this sense. Other than the Prime Minister, no member of the Cabinet could occupy such a position in view of the powers of control over all other ministers which it would entail. For the same reason, it is clear that no official could do the job.

A Prime Minister has, of course, a recognized pre-eminence among his colleagues, but other matters even more important than the general management of the machinery of government demand almost all the time and energy of any man in this office. He will, of necessity, feel a special responsibility for the general efficiency and effectiveness of government operations, but cannot be expected to involve himself on any but very major or contentious questions.

Since Confederation, matters of central management have been progressively delegated by the Cabinet to its statutory committee, the Treasury Board, and the functions contemplated for that body under the Financial Administration Act of 1951 bear a close resemblance to the tasks of central direction identified here. A board of management on these lines can relieve the Cabinet of most of this work, but the Treasury Board has laboured under two handicaps.

First of all, it is composed of ministers who, as a general rule, have heavy departmental responsibilities and can give little time or attention to its work.

Historically, the primary responsibility for the direction of the Treasury Board has rested with the Minister of Finance, who by law has been its chairman since its inception, and whose department has provided its staff. But as the need has grown for energetic central direction of administration, so too have the departmental responsibilities of the Minister of Finance and his special concern with the financial plan of the government. Fiscal and monetary policy, public borrowings, cash management, international economic policy, the state of the domestic economy and the economic impact of government policies and

programmes—responsibilities such as these leave the Minister of Finance little time to devote to the day-to-day task of central administrative direction. Except during the annual review of departmental estimates, which has relevance to the budget, Ministers of Finance have had progressively less time to devote to the work of the Board.

The result has been to place most of the burden of central direction on the permanent staff of the Board and especially its Secretary. Even if this unintentional devolution of such functions to appointed officials were acceptable—which is seriously questioned—it cannot be effective on any major issue of programme control or administrative policy. Such issues, which arise constantly, can be settled only at the ministerial level, and there is, therefore, a need for continuous leadership by a minister with no departmental responsibilities to divert his attention or prejudice his viewpoint.

It is our conclusion that the Treasury Board needs to be strengthened by the appointment of a presiding minister with no departmental responsibilities, who would give day-to-day guidance to its staff, provide the initiative needed within the Board itself, and ensure that general considerations of good management find adequate expression within Cabinet on all matters to which they are relevant.

The Minister of Finance will obviously continue to have an interest in those functions of the Treasury Board which bear directly on his budgetary responsibilities and must be a member, *ex officio*, of the Board. There is, in fact, a close reciprocal relationship between his responsibilities and those of the Board. In its evaluation of departmental programmes and plans, the Board must consider among other things, their probable impact on the economy and will normally look to the Department of Finance for guidance on this score. And the probable effects on future expenditure levels of programme changes considered by the Board are of obvious interest to the Minister. Moreover, the Board's year-round evaluation of programmes and of departmental performance provides the basis for its annual review of departmental estimates of expenditures for the subsequent fiscal year, and the approved body of estimates, in turn, is one of the elements to be reconciled by the Minister in his budget. But the preparation and review of estimates must take account of the Minister's advice as to the desirable limits within which expenditure plans should be settled. There must, therefore, be close working relations at all times between the Minister of Finance and the President of the Treasury Board. Recognizing this convergence of interest in financial affairs, the position of President might well be associated with the Department of Finance, comparable in status to the Minister but different in function.

The second major handicap under which the Treasury Board now works is

the tradition of detailed control of departmental administration, as a result of which it has to consider about 16,000 submissions annually. Under these conditions, the proposed new President of the Treasury Board would find his time so occupied with individual cases concerning day-to-day administration that the essential tasks of the Board would receive scarcely more attention than they now do. The necessary abandonment of this tradition of control, to permit the proper functioning of departmental management, is therefore scarcely less essential as a means of freeing the Treasury Board to meet the needs of central direction.

There will remain certain categories of departmental action which will require specific approval by the Board. Ministers will wish to review proposals that entail very large expenditures or represent the launching of major programmes with heavy future commitments, actual or implied. But the limits of departmental authority to act independently must be raised substantially, and include all routine and recurring needs almost regardless of the sums involved. The greatest prospect of eliminating detailed review lies in the area of day-to-day administration: the adjustment of establishments within approved programme limits; the application of policies and standards governing accommodation, equipment and supplies, travel and entertainment, and the various allowances granted to staff to meet special conditions. The test of what is properly subject to specific approval by the Treasury Board must be its relevance to the essential functions of central direction.

With the strengthening of the functions and provision for day-to-day ministerial direction of the Treasury Board, there must be a redefinition of the role and character of its staff.

It must be recognized that the essential task of the staff is to assist ministers in discharging their collective responsibility for programme priorities and administrative standards. Their present location in the Department of Finance tends to encourage among the staff a preoccupation with the detailed scrutiny of expenditures. Among departmental administrators, this has engendered an undue emphasis on justifying the minutiae of operations at the expense of a proper concern with functions of management. It is desirable that this concept be dispelled and that there be a common awareness of both the central and departmental tasks of management.

The ultimate authority lies with the Cabinet and is exercised by the Treasury Board only by delegation; this delegation may, on any matter, be withdrawn or overridden by the Cabinet. When Cabinet chooses to concern itself directly with these functions of central direction it must have at its disposal the staff support normally possessed by the Treasury Board. For this reason, the Treasury Board staff should be transferred from the Department of

Finance to the Privy Council Office, where it would be more properly identified with the Cabinet and with the Treasury Board itself as a committee of Cabinet.

At the same time, the status of the Secretary of the Treasury Board needs reassessment. As the chief official adviser to the government on the co-ordination of programmes and the organizational and administrative needs of the public service, his importance is clearly at least equal to that of the permanent heads of departments. He must, therefore, have the status of a deputy minister.

This would mean the existence, within the Privy Council Office, of two deputy ministers—the Clerk of the Privy Council and the Secretary of the Treasury Board. In fact, however, the roles and interests of the two are complementary. The Clerk is concerned in the main with policy, and the Secretary with the functions of administrative direction.

The staff of the Treasury Board, while having no direct administrative responsibilities, clearly occupies a crucial position—as the group making the examination of programmes and estimates, drafting administrative policies and standards, evaluating departmental performance and generally stimulating effective management practices throughout the public service. Invested with such functions, and having access to the central authority of government, such a staff could conceivably destroy the proper balance between central and departmental responsibilities and powers. To prevent such an occurrence, there must be safeguards.

The development and maintenance of strong administrative organizations within the departments will provide a counterweight to any attempts at encroachment on their authority by the Treasury Board staff. But the existence of a state of conflict between the departmental and Treasury Board staffs would be scarcely less damaging than the aggrandizement of the latter.

The most effective safeguard lies in strict adherence to the rule that the Treasury Board staff be formed by the rotation of experienced administrators from departments. No officer should serve the Board until he has acquired a working knowledge of administration and demonstrated his ability and judgment, preferably within a department. Nor should appointments to the Treasury Board staff be of long duration. The benefits of such a rotational policy would accrue to Treasury Board and the departments alike, and such a policy would forestall the growth of pretensions to superior virtue in the central group.

In addition, the size of the Treasury Board staff must be held to a minimum, the emphasis being on experience and outstanding ability rather than numbers. With the abandonment of detailed and often routine controls, and

with the concentration of Treasury Board on the essential functions of central direction, the need for numbers—especially of junior staff—disappears. Moreover, the staff should be composed of officers of general administrative experience. Various individuals or groups among them may have to concentrate on particular aspects of the Board's responsibilities, to which more specialized experience in their past service will be relevant. But their responsibilities are essentially non-technical, and whatever technical assistance may be needed by the staff in the course of its work should be sought from the departments and agencies, whose operating needs require the use of highly qualified specialists of every conceivable kind.

An agency of central direction can rarely expect to be popular among departments. Although it should be concerned with encouraging energetic and imaginative administration within departments, there will be times when the Board must exert a restraining influence on departmental ambitions. But as long as it confines itself to its proper functions, it will be respected as an essential element of government. As a body serving broader interests and staffed with officers familiar with the needs of departmental administration, it will be welcomed by the departments as a source of guidance when new and unfamiliar problems arise.

THE PROVISION OF COMMON SUPPORTING SERVICES

The unity of the public service, which creates the need for central direction, is also relevant to the provision of administrative services for which departments have common needs.

As has already been noted, considerations of public policy may influence the administrative practices of the government in meeting its operating needs for staff, accommodation and engineering works, and supplies and equipment. Such considerations may necessitate not only the formulation of standards to govern such practices, but also the creation of common service departments and agencies charged with specific responsibility for ensuring that the public interest is recognized and served.

The pooling of common services may also be warranted by considerations of economy or administrative advantage. From the viewpoint of the departments, while the definition of needs for supplies and services is inescapably a part of departmental responsibility, the actual satisfaction of those needs may be only a chore which intrudes on the essential functions of devising and applying solutions to public problems.

Smaller operating units encounter a special problem in meeting their needs for a wide variety of administrative services, because of the prohibitive cost

of maintaining staffs to cater to such needs and the impossibility of keeping such staffs fully employed. Common service organizations, where they exist, can meet some of these needs, but for others the small unit may have to become the client of a larger operating unit. Although this problem exists for some departments and agencies in Ottawa, it is most prevalent and acute in the field, where little has been done to develop remedies.

No uniform pattern is proposed for the organization of common services. Instead, specific solutions are suggested in reports dealing with such matters as accounting, the improvement of office management and systems, accommodation, and purchasing. It is possible, however, to postulate certain general principles which should govern the provision of administrative services by one organization to another.

The first principle is that such arrangements must not impair the essential authority and responsibility of operating departments. This means that, within any general standards enunciated by the Treasury Board (which should be neither minutely detailed nor inflexible), the user of the services shall define his needs. Moreover, in order to emphasize to both the user and the supplier where responsibility lies, and to ensure that relevant costs are allocated to programmes, the cost of services should be chargeable to the user.

Second, service and control must be sharply differentiated. The suppliers of services should exercise no control over the users except within the strict limits of any responsibility for applying special considerations of public policy. The only general element of control will be exercised centrally in the form of an assessment of the level of service demanded by users and the degree of satisfaction given by supplying agencies, as part of the general evaluation of administrative performance throughout the machinery of government.

Third, means must also be adopted for ensuring that common service organizations do not become inbred and complacent. Their direction must be in the hands of senior administrators who come within the general rotational programme for the top levels of the public service and who will, therefore, be conscious of and sympathetic to the needs of the user departments. Moreover, to the extent that operations similar to those of a service organization are carried on in other parts of the public service, there should be rotation of the technical staffs involved. In addition, where similar operations exist outside the government, the staffs of service organizations should be encouraged to keep in touch with external developments in techniques, and the services of the government should be strengthened by the employment from time to time of experts from such outside services, either by contract or by the exchange of personnel for periods of several years.

Fourth, the organization of each common service must be designed to

serve the needs of its clientele. Certain professional staff services—legal, statistical and economic, for example—are needed primarily for the support of administrative activity in the head offices of departments, and might properly be concentrated in Ottawa. Other services, however, such as those concerned with accommodation, construction, supply and communications, must support the operating elements of the public service, which lie predominantly outside Ottawa; consequently, the organization of such services may require strong regional and even local components.

Finally, common service organizations can serve the Treasury Board and its staff as sources of technical guidance in the framing of policies and standards to govern administrative practices throughout the government. In addition, the government itself has need of a central service organization to maintain the financial records required for the central direction and evaluation of administration and for Parliament. This accounting agency can also provide related services to the departments but without the existing connotation of control.

THE IMPORTANCE OF ADMINISTRATIVE LEADERSHIP

A good plan of organization and an appropriate concept of management—essential as they are—provide no automatic guarantee of good administration. The essential ingredient is good people, especially at the top. The goals pursued by departments are matters of public policy but the effectiveness of their activity will depend primarily on the quality of administrative leadership. There must be, throughout the public service, senior administrators of outstanding ability with a strong sense of purpose and a clear grasp of their responsibilities.

The development of senior administrators is of concern to central and departmental authorities alike. But the Treasury Board staff must bear a special responsibility for ensuring that the available resources of leadership are used to the greatest advantage of the government as a whole. It is not too much to say that this is the most important task of constant concern to the central staff. The essentials of this task will be:

- To assess the strengths and weaknesses of individual senior officers throughout the public service and the relative urgency of bolstering departmental management in one respect or another.
- To secure such appointments and transfers of officials as seem most likely to match individual abilities with departmental needs at any given time.
- To be actively concerned, in association with departments, with the development of future generations of leaders.

As in the past, the appointment and transfer of deputy ministers should be made by Order in Council, on the recommendation of the Prime Minister. This traditional practice serves admirably to underscore the role of the deputy minister in providing the bridge between the political world of ministers and the administrative world of the department, and provides a reminder to them of their need for a perspective encompassing the whole range of government. At the same time it emphasizes the collective interest of the ministers, and the special interest of the Prime Minister, in the effectiveness of management in the public service.

In framing his recommendations, the Prime Minister will naturally consult whom he chooses—including, as a matter of course, the ministers of the departments concerned. But the two permanent heads of the central staff—the Clerk of the Privy Council and the Secretary of the Treasury Board—should have a special role to play. Each is concerned—in complementary ways—with the whole range of government operations, and is therefore able to measure departmental needs for leadership against the men available. And in their respective positions they represent, in a sense, the two aspects which are fused in varying proportions in the office of a deputy minister: the development of policy and the management of operations. Thus they bear a joint responsibility for advising the Prime Minister on the appointment or transfer of deputy ministers whenever circumstances or their own assessment of need dictate.

The concern of the centre of government, however, must reach below the deputy ministers and take account of the development and use of other senior administrative staff throughout the public service. To ensure the satisfactory development and distribution of such staff on a government-wide basis, the central machinery must be actively concerned with appointments and transfers relating to certain positions in each department.

This central concern should extend, first, to those positions immediately below the deputy minister. Movement among departments at this level provides the last opportunity for achieving the broadening of experience and outlook which is so essential to the development of administrative leadership.

Special considerations apply to two other senior officials in each department: the chief financial officer and the chief personnel officer. These two are most directly concerned with the use of staff and public money, and with the application of the general policies and standards of the government relating to administration. Rotation of such officers among departments and the staff of Treasury Board itself will do more than anything else to ensure that the general policies and standards are applied with consistency throughout the government.

Moreover, it is important that these two officers should have the sense that their future careers rest primarily—though not exclusively—on the assessment

of their performance by the staff of the Treasury Board, rather than on their ability to please the heads of their departments. They must be in all respects members of their respective departments and so regard themselves, and could not be empowered to veto the wishes of their departmental heads and thereby impair the necessary authority and responsibility of the minister and his deputy. But they would, in effect, provide a "presence" of the central authority within the department, and their reluctance to concur in courses of action proposed by their departmental heads would not be lightly ignored.

For these positions—immediate subordinates of deputy ministers and the chief financial and personnel officers—it is proposed that the Treasury Board staff should, whenever the prospect of vacancies or their own assessment of needs dictate, initiate discussions with the department or departments concerned, with a view to securing the most effective use and development of senior administrators throughout the public service. Appointments to such positions should be subject to approval by the Treasury Board.

In addition to their specific responsibilities relative to these senior positions, the Treasury Board staff would have a general responsibility, in common with the departments, for identifying and developing promising officials in the middle ranks of administration. They must also, in evaluating performance, ensure that the departments themselves attach proper importance to the development and effective use of all their personnel. Moreover, in an organization as large as the public service, there is a constant danger of blind alleys, and particular care must be taken by departmental and Treasury Board staffs to guard against such pockets of frustration and to find new opportunities for able people caught in isolated or uncongenial positions.

As has been noted, the federal administration is fortunate today, and has been in recent decades, in the quality of its senior administrators. The distribution of ability is uneven and could be improved by greater flexibility in the use of senior officers. But this need is overshadowed by the more urgent need for a concept and plan of management which will provide greater opportunities for administrative leadership to become effective.

CHECKS AND BALANCES

There remains only the question of safeguards against those weaknesses in the public service which gave rise to the existing regime of control. The dangers of political patronage in the staffing of the public service, and of irresponsibility in the handling of public money must be recognized, and safeguards must be provided. But the remedies must be sought within a framework which fosters rather than frustrates good management.

The first guarantee of administrative integrity lies in the proposed new concept of management, with its emphasis on the sharper definition of responsibility, authority and accountability, and on the systematic encouragement of strong administrative leadership. But, in fact, the proposed new concept offers more specific guarantees in the form of checks and balances. The balancing of functions between departments and the Treasury Board, and between the Clerk of the Privy Council and the Secretary of the Treasury Board; the rotation of senior administrative personnel; the creation within departments of a "presence" of the Treasury Board—all serve as checks not only on the misuse, but equally on the ineffectual use of staff and public money. Yet none of these, unlike the existing controls, can act in any way to inhibit or impede energetic and imaginative administration.

In addition, the essential safeguards, independent of the framework of management under the authority of ministers, will remain: the Civil Service Commissioners and the Auditor General.

For the Civil Service Commissioners there will be a continuing task of certifying appointments to the public service, after satisfying themselves that selection has been made in a manner which establishes merit. Moreover, the new concept of management should end the confusion which has existed in the Civil Service Act and its administration, between the ideal of a unified service and the quite separate and unrealistic goal of uniformity in the treatment of public servants. Such matters as the basis and method of remuneration, and the special procedures which may be appropriate in the recruitment and management of different classes of people, would become more properly identified as functions of management. Thus, many sections of the public service which have had to be excluded from the Act because the uniform standards and procedures were inappropriate could now be brought within the protection of the Commissioners, and the ideal of a unified service could be more nearly realized.

The other external safeguard rests with the Auditor General, in his responsibility for judging the efficacy of government accounting systems, internal control and audit procedures and other techniques of financial management, and ensuring that public funds are adequately protected against misuse and are legally spent. This function and his duty of disclosing to Parliament and the public any evidence of illegality, irresponsibility and dishonesty in the handling of money, serve as powerful deterrents.

In the last analysis, the ultimate safeguard lies in the political process itself—in the accountability of ministers, both individually and collectively, to Parliament and through it to the public. The methods by which Parliament exacts this accounting from ministers and the public service are, of course,

beyond your Commissioners' terms of reference. It is only noted, therefore, that the growth and increasing complexity of government, which have generated new problems for the management of the public service, may well create new problems of accountability to the public and their elected representatives. Such, indeed, has been the experience of other parliamentary systems, resulting in a growing resort, in recent years, to new methods for the scrutiny of administrative action.

The importance to the public of efficiency and integrity in the machinery of government by which it is served is unquestionably great and grows with each new increase in the size and scope of government. But even greater is the importance of a service responsive to public wants and expectations. No plan of management and no system of checks and balances can, by themselves, offer guarantees of this responsiveness. This is the test, not merely of the machinery of government, but also—and principally—of the political process by which its goals are set.

6

A GENERAL PLAN OF MANAGEMENT

Within the concept of management presented in this report, it is possible to discern the outlines of a general plan.

At the centre of this plan lies the Cabinet, bearing the ultimate responsibility for government and cloaked with ultimate authority under the Crown and Parliament. Serving Cabinet and its committees, under the direction of the Clerk of the Privy Council, is the secretariat.

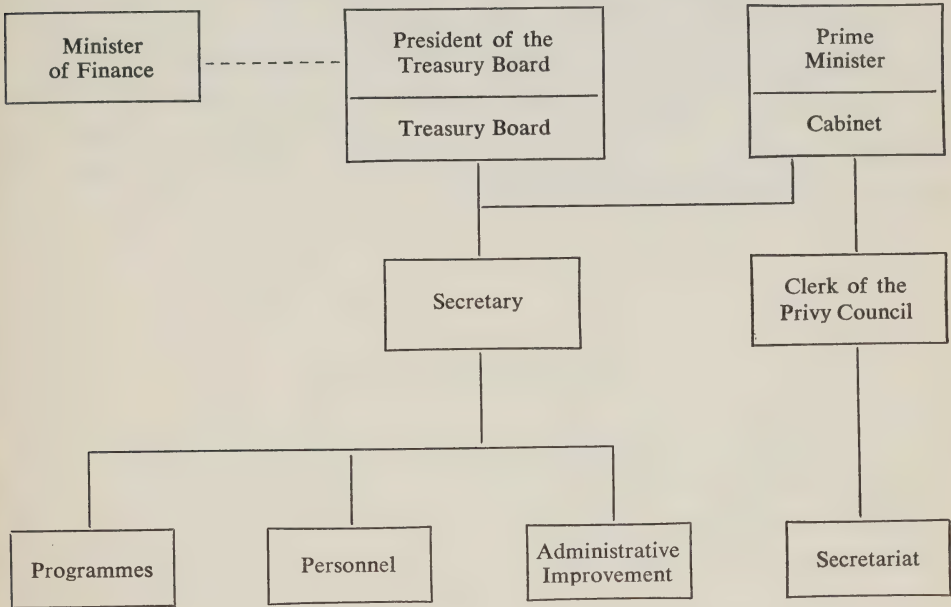
The Treasury Board, as a committee of Cabinet presided over by a minister with no departmental responsibilities, is responsible by delegation for the co-ordination of programmes and the general management of the public service. Serving the Board—and, when necessary, Cabinet itself—are the Secretary and a compact, highly qualified staff. Within the latter, three main divisions can be identified:

- A programmes division, concerned with the analysis of programmes, the review of departmental estimates, and the framing of general standards of administration.
- A personnel division, concerned with personnel policy and standards of personnel management, and staff relations in the public service.
- An administrative improvement division to stimulate and guide an urgently-needed programme of continuous improvement in operating systems and procedures throughout the machinery of government.

In addition, the staff of the Treasury Board share the tasks of reviewing the

plan of organization of the government and identifying necessary adjustments, of appraising the performance of departments and the abilities of senior administrators, and generally of fostering improved management and strong administrative leadership throughout the public service.

GENERAL PLAN OF CENTRAL AUTHORITY



The central accounting needs of the government are met by the Comptroller of the Treasury—more suitably called the Accountant-General—who can also provide related services for which departments have a common need, but with no powers of control.

The Civil Service Commissioners discharge those functions requiring independence from executive authority: the certification of appointments, the final hearing of appeals by public servants against disciplinary action, and the conduct of pay research independent of both management and staff.

Among departments and operating agencies there can be no uniformity of organization. However, the functions of management are common to them all and require, in each, the existence of an administrative staff capable of discharging these functions and providing a focal point for the matters of concern to the Treasury Board.

The full implications of the new concept of management in the federal public

service will reveal themselves in the other reports of the Commission. It will be evident, however, that the realization of this concept requires changes which cannot be made overnight. The goal is a long-term one, but it points the direction in which improvement must be sought. The sequence and pace of change cannot be prescribed by this Commission, but succeeding reports will identify many of the specific steps to be taken.

Your Commissioners are convinced that this concept of management will promote the interests of public servants through the enlarged opportunities it creates. It should, we feel, strengthen the ability of Parliament to comprehend and judge the conduct of the federal administration. And, above all, it offers the greatest hope to the Canadian public—overshadowing the immediate savings which our findings may disclose—of efficiency, economy and improved service in the despatch of public business.

BILINGUALISM IN THE FEDERAL ADMINISTRATION

Separate Statement by Commissioner F. Eugène Therrien, Q.C.

TERMS OF REFERENCE

The terms of reference of the Commission as set forth by Order in Council dated 16th September, 1960, direct the Commissioners to "inquire into and report upon the organization and methods of operation of the departments and agencies of the Government of Canada and to recommend changes therein which they consider would best promote efficiency, economy and improved service in the despatch of public business."

The Commission has limited its study of bilingualism in the federal administration to particular aspects of the problem, having decided that its terms of reference do not call for a broad and thorough investigation of the subject. In its various reports, however, the Commission has put forward certain eminently constructive recommendations, to which I subscribe.

In my opinion the terms of reference of the Commission are not restrictive concerning this aspect of federal administration; hence, the following statement and my dissent (the only one in the whole of this vast inquiry) concerning the interpretation of the terms of reference adopted by the Commission.

In view of the nature and character of the Commission, the terms of the mandate which it was given by the federal government, and the fact that I have no right to submit recommendations of my own, the facts cited and opinions hereinafter expressed represent neither the findings nor the conclusions of the Commission, and cannot be considered as such. They are the underlying reasons for my dissent, based on constitutional, legal, and factual considerations.

The Commission has investigated, among others, the following topics:

- The circulation of documents.
- The administrative requirements relating to the initiation of such documents and methods by which they are circulated.
- The numerous and detailed information demands on the public in the form of statistical and other returns.
- The burden imposed on the public by such demands and the usefulness of data thus gathered.
- The recruiting and selection of public servants and the composition of the federal work force.
- The education and teaching of children in schools of the federal government by its own qualified teachers, both in Canada and abroad.
- The Service colleges.
- The nature, scope and aims of public relations and information services in the administrative, commercial, technical, scientific and cultural fields.

The terms of reference of the Commission should, in my opinion, have led to more specific and more detailed conclusions and recommendations concerning the incidence of bilingualism in relation to the efficiency and economy in the federal administration.

THE NATURE OF THE PROBLEM OF BILINGUALISM

Thus far, the problem has been badly put in many quarters. Too often it is reduced to a matter of mere translation. Bilingualism in a country is the co-existence of (a) two cultures and (b) two languages.

Bilingualism in the federal administration is not, and should not be reduced to the single question of translation. Rather, it is, and must be, a problem of the co-existence of two languages, English and French.

It is almost superfluous to add that serious difficulties arise in finding solutions to this problem. To date, the federal administration has not been sufficiently concerned with seeking solutions.

SOME ASPECTS OF BILINGUALISM IN CANADA IN 1962

The bilingual character of the administration reveals itself in several ways:

1. Our money is bilingual.
2. Our postage stamps are bilingual.

3. By virtue of a recent decision, federal government cheques are bilingual.
4. French documents on file are generally translated into English.
5. Some of the forms used by the public are bilingual or are published separately in French and in English.
6. Some departments have bilingual letterheads; all others have letterheads printed in each of the two official languages.
7. In too few departments and agencies, civil servants are allowed to draft internal communications in French.
8. The French Canadian taxpayer is asked, in his own tongue, to contribute to support the federal government's activities, e.g., Government of Canada loans, income tax, etc.

On the other hand:

1. It is practically impossible to obtain precise statistics of the number of French Canadians employed in the civil service and the number of bilingual public servants; yet statistics on alcoholism in the public service are readily available.
2. The use of the French language as a medium of communication within departments and agencies depends largely on the number of French-speaking public servants. The number of French-speaking public servants is very limited. The view that such a state of affairs is regrettable has been expressed not only by French Canadians but also in many English Canadian quarters. Of 5,000 public servants in receipt of an annual salary of more than \$8,000 (as reported in the Public Accounts of Canada for 1961), less than 600 are French-speaking Canadians. (These figures do not include employees of the Crown corporations nor officers in the three Armed Services, for whom no figures are available). In eleven departments, only six of the 163 civil servants receiving \$14,000 a year or more are French Canadians.
3. The number of French Canadians holding key positions in the government administration is insignificant, save for a few district offices in the Province of Quebec. In several key departments, not a single high official is French-speaking.
4. In the public service, as in the Army, the value of an officer or an official, in recruitment and promotion, is too often and wrongly considered to be in proportion to his knowledge of the English language.
5. Some of the all-too-few French Canadian high officials simply accept this situation. Others find it too irksome and leave the government service to seek elsewhere positions more in harmony with their aspirations.

6. In too many departments and agencies, and even in district offices in the Province of Quebec, English is the language of internal communication.
7. With very few exceptions, annual reports, information bulletins and other reports published by departments and agencies are always drafted in English. The French edition is generally published weeks or even months later, by which time it is often out-of-date and useless.
8. The percentage of internal and external bilingual forms is higher than the percentage of correspondence in the French language. This may be due in part to the fact that all French correspondence has to be translated, with consequent serious delays and inconvenience for the French Canadian population.
9. In the federal administration, and markedly in the Armed Forces, there is little or no understanding of French Canada's claim to certain rights, especially with regard to the co-existence of the French language in Canada, nor of the way in which bilingualism bears upon efficiency in the administration.
10. In the Army, certain so-called bilingual courses given in Quebec (for instance, courses on civil defence) are not only an instrument of assimilation but also, to an even greater extent, a means of debasing the French language.

COMMENTS

French Canadians cannot feel at home all over Canada as long as the co-existence of their language goes unrecognized, not only in written texts, but in fact. They refuse to be regarded by the federal administration as second-class citizens.

The position of bilingualism in the federal administration has remained hazy; the problem has never really been faced; in the past, friendly gestures in the form of occasional half-measures have had to suffice; events have been in control, not under control. More and more it is recognized that Canada's bi-cultural and bilingual character is a heritage and a very precious asset, to be developed and preserved not only by French Canada but by Canada as a whole. The federal administration is ideally suited to make a vital contribution to this development.

French Canada is one of the two components of our country which existed as a political and legal entity long before Confederation. Confederation is a pact which recognizes, confirms and guarantees the rights of this component, and it is necessary to honour the spirit of the text, avoiding any limited inter-

pretation and admitting freely the right to co-existence of the French language and culture in Canada.

There is no single and easy remedy to the federal administration's weaknesses and shortcomings in the matter of bilingualism. The administration itself does not even realize its own weaknesses and shortcomings, nor will it fully admit that they exist. It does not avail itself of the means at its disposal to find solutions of immediate or long-term benefit.

THE PROBLEM OF BILINGUALISM OUTSIDE CANADA

Outside Canada, certain governments have conceived and established bilingual public administrations which have proved efficient. Within Canada, some measures, however imperfect, which confirm the bilingual character of the country, have been accepted. However, in my opinion, bilingual aspects of federal administration are neither adequate nor satisfactory.

In South Africa, the constitution puts the English and Afrikaans languages on an equal footing and gives them the same rights and privileges.

The laws, regulations, orders, and notices of public interest issued under federal, provincial, municipal and other local authority are published in the two official languages.

In the South African public service the position is as follows:

There are generally no examinations for entrance into government departments, but a public servant cannot be promoted without having passed an examination in the two official languages. The Department of Foreign Affairs requires, in addition, knowledge of a third language.

Forms for internal and external use are bilingual or available separately in each language.

Departmental manuals and annual reports are always published simultaneously in both languages.

For communications within the service, public servants may use the language of their choice or use one of the two languages alternately on a month-by-month basis. The same procedure applies to training courses in the public service.

In Belgium, the use of languages in public administration is governed by the law of 1932 which provides:

- (a) In the central government departments and in public services or establishments, all business is conducted in the language prescribed for the regional authorities and public services, without recourse to translators.
- (b) Every executive official in charge of a branch has a bilingual associate of equal rank or of the next rank down, selected from the branch con-

cerned, and such associate can never be called upon to do actual translation.

- (c) Except in the central administrative services, no one can be appointed or promoted to a public position unless he is familiar with the language of the commune or district in which he will be occupying such position.
- (d) In the central government departments, a proper balance must be preserved in the number of positions held by employees of each linguistic group. This rule also applies in recruiting personnel.

In Switzerland, bilingualism, or rather trilingualism, in administrative matters rests more on custom than on law, the only legal provision being section 116 of the Federal Constitution, which stipulates that German, French and Italian are the official languages of the Confederation.

In practice, the situation is as follows:

- (a) Correspondence is never translated.
- (b) For communications with and within the central government services, the civil servant may use any one of the three languages.
- (c) Correspondence between the federal government on the one hand and the cantonal governments, the communes and individuals on the other, is carried on in the language of the canton, the commune or the individual concerned.
- (d) As far as possible, each linguistic group is represented proportionately to its numbers. In some departments, minorities even get a proportionately larger representation than their numbers warrant (e.g., the French Swiss in the Department of Foreign Affairs).
- (e) Throughout the country, wicket employees are bilingual.
- (f) The Army is divided into unilingual units.
- (g) All departmental reports are published simultaneously in the three languages.

CONCLUSION

1. In the federal administration of Canada, bilingualism is not treated as it should be, that is, as an efficient instrument of administration.
2. The number of French Canadian public servants at the higher level of the federal administration is insufficient.
3. The policy of the administration regarding bilingualism is wasteful both of energy and of money.

SOME SPECIAL ASPECTS OF BILINGUALISM IN THE FEDERAL ADMINISTRATION ARISING FROM FACTS BROUGHT OUT DURING THE INVESTIGATION BY THE COMMISSION

Personnel

REPRESENTATION OF THE FRENCH SECTOR: The number of French-speaking Canadians at the higher levels is not proportionate to the size of the French Canadian group in all departments and agencies of the federal government. Candidates for higher ranking positions are not sufficiently sought out among competent French Canadians who are already in the service; such do exist.

It is to be deplored that not one of the Assistant Under-Secretaries in the Department of External Affairs is a French Canadian.

RECRUITING: The number of French-speaking public servants is not directly proportionate to the administrative requirements of French Canada, which is not confined to a single geographical area but, on the contrary, extends throughout the whole of Canada.

Entrance examinations for candidates to positions in the public service do not conform to the French-Canadian educational system, nor are they set in French by qualified French Canadians. Imperfect mastery of the English language is considered to be a shortcoming which prejudices the French Canadian candidate or civil servant.

There is an almost total absence of training courses of high quality, in keeping with the spirit of each language, given in English by competent English instructors and in French by competent French Canadian instructors, and available to public servants free of charge during working hours.

BILINGUALISM—AN ESSENTIAL QUALIFICATION: Bilingualism is not an essential qualification for all employees who deal with the public in bilingual towns and districts. In all departments, particularly in the Departments of External Affairs and Trade and Commerce, the present number of bilingual civil servants posted abroad is clearly insufficient.

WORKING CONDITIONS: French Canadian public servants cannot freely use the French language as a means of communication within the federal administration.

Courses now given to public servants (or to the public) under the direction and control of the federal administration are not everywhere available in French to all who wish to follow them.

There is a shortage of competent French-speaking stenographers in the Department of External Affairs and in all the other departments and agencies of

the federal government: the reason for this shortage is that no supplementary remuneration is paid to those so qualified.

There are no development programmes whatever for public servants or members of the Armed Forces of all ranks to teach, by the use of courses and appropriate lectures, the aims and attitudes of the two ethnic groups, the meaning of the Canadian Confederation and the role of French Canada as a partner therein.

FORMS AND DOCUMENTS: Instruction manuals and circulars intended for employees of the federal government are not generally supplied and distributed in both the English and French languages.

Internal forms used by federal government departments and agencies, as well as external forms for the use of taxpayers are not generally bilingual, thus involving an unwarranted expenditure and leading to inefficiency. A few only of these external and internal forms cannot, from a practical point of view, be made bilingual. For these, solutions can be found; for instance, they could be printed separately in French and in English, each bearing a note to the effect that the same form may be obtained in the other language. Sorting, handling and stocking of stationery is extremely burdensome because letter-heads, return addresses on envelopes, and memo pads in the federal government are not bilingual. Translation is not limited to essential documents; the practice of translating all documents on file is useless, costly, unnecessary, and means that translators, whose work is an art, are occupied on routine work.

BUREAU FOR TRANSLATIONS: Translation remains an important problem in a bilingual country. In my opinion, the remuneration of translators is inadequate.

The salary of a Translator Grade I in the federal administration is equivalent to that of a Clerk Grade 4 (\$4,050-\$4,500). A survey of salaries in the private sector reveals the following minimum salaries:

Depending on qualifications and experience, salaries range from about \$5,000 to \$10,000 for a translator; a Unit Supervisor may receive \$10,500, and the Director of a Translation Service \$16,500.

INFORMATION: Information intended for the public is not usually drafted in French and issued at the same time as English material to the French language information agencies of the country. French information services with adequately paid French Canadian Information Officers have not been provided for and do not exist in each department and agency of the federal government.

Today, May 22nd, 1962, as I write this statement, the newspapers of the country carry an advertisement of the Civil Service Commission for French Information Officers, at \$6,000-\$6,600 per annum, for the Departments of

Transport, Northern Affairs and National Resources and the Unemployment Insurance Commission. This is a step in the right direction, but it appears that the salaries offered are clearly lower than those recognized and paid in the private sector.

The late publication and circulation in French of public documents, which have been held up because of translation, represent a costly and totally inefficient practice. What purpose is served by publishing a document in French so late that it has no usefulness?

The Department of Citizenship and Immigration distributes an information pamphlet designed for immigrants, in eight foreign languages. All reference terms in this pamphlet (and there are many) are in English. The bilingual and bi-cultural character of Canada is not properly reflected in all the other publications intended for new Canadians and foreigners.

HEALTH: For all practical purposes, French is not recognized as a language of communication in all federal hospitals. Internal and external forms used in these hospitals are by no means all bilingual.

NATIONAL DEFENCE: The general use of the French language everywhere and by all French Canadian members of the Armed Services is recognized neither in theory nor in fact.

The bilingual educational system in use at the College Royal Militaire de Saint-Jean is not found in the other Service colleges in Canada.

One does not find in the Armed Services a proportionate number of capable senior French Canadian officers.

Units with French as the language of instruction and technical training have not been organized nor planned in the three Services.

Against all logic and contrary to principles of efficiency and economy, in sorting, handling, stocking and printing documents, forms and information bulletins in the three Armed Services, bilingualism is not recognized.

In the present state of world affairs, our Armed Forces are coming increasingly into contact with French-speaking peoples. There are no appropriate French language training courses in the Armed Services.

Imperfect mastery of the English language is an obstacle to recruitment and to the promotion of competent senior French Canadian officers. So-called bilingual instructions in the Armed Services (a word in French, and a word in English) are instruments of assimilation and destruction of the French language and culture in Canada.

EDUCATION: *Military Camps in Canada:* Schools subsidized by the federal government do not offer equal facilities to English-speaking and to French-speaking children. However, it must be noted that the Department of National

Defence in each province follows the educational system of that province. In eight of the ten provinces, official teaching is exclusively in English, while in Quebec and Ontario instruction is in both languages.

In the Province of Quebec, the children of servicemen at military camps may attend English or French schools. But the same does not apply within the military camps in Ontario where teaching is exclusively in English, even where there are large groups of French-speaking children; French-speaking servicemen who wish their children to be taught in French must bear the costs of education from their own pocket.

The Department of National Defence has not so far authorized the setting up, at any military camp in Ontario, of a single class with French the teaching language, in spite of the fact that in some such camps there are important groups of French-speaking children of school age.

Except at the camp at Rockcliffe, Ontario, the Department of National Defence makes no grants to French-speaking children of school age at military camps outside Quebec, to enable them to obtain an education in a French school in Quebec or in one of Ontario's bilingual schools.

Military Camps, Overseas: The minimum figure of 25 pupils, required for setting up a class in which French is the teaching language appears excessive for two reasons:

- There need be only ten children of school age to secure permission to establish a school at a military camp in Canada.
- In 1961, the average number of pupils per teacher in National Defence schools in Europe was only 19.1, and as low as 9.4 in secondary schools.

When the number of pupils does not justify the organization of separate classes, a grant for tuition fees (and another for travel expenses) is not available for French-speaking children of school age, to enable them to pursue their studies in a French-speaking country or in Canada.

Penitentiaries: The practice of offering instruction in French to all inmates who wish it, in classes specially set up for this purpose, is followed only in penitentiaries in the Province of Quebec.

Educational Costs Abroad: English and French-speaking civil servants posted abroad do not all receive the same financial assistance to ensure that their children receive complete instruction in their mother tongue.

REGULATION OF BILINGUALISM: The co-ordination of bilingualism in the federal administration, in my opinion, should be placed under the jurisdiction of the Treasury Board which represents the general and central administrative authority.

CONCLUSIONS

In Canada, the cost of bilingualism should not be considered, and still less admitted, to be an obstacle, any more than the cost of bilingualism or trilingualism is so considered in Belgium, Switzerland or South Africa.

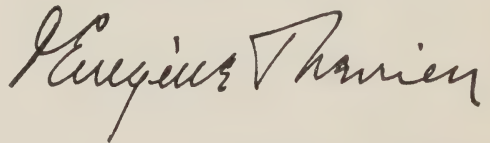
The opinions expressed in this report are based on the principle of the duality of language and culture in Canada and the possibilities of its application in the federal administration.

French Canada must, of course, within the federal public service look to the quality and excellence of its spoken and written language and its culture: no one will dare assert that a language with skimpy vocabulary and ill-formed constructions can be more acceptable in Canada than elsewhere. To achieve the desired objective, French Canada must preserve the integrity of its culture.

French Canada has existed since 1534; bilingual Canada completed its second century of existence in 1960. The country will celebrate the centenary of Confederation in 1967. Surely, the two constituent groups in the country have now attained sufficient maturity to face the problems of the day. The men needed to find solutions and accept the consequences of their decisions are available to each group.

The existence of any federation or confederation rests on mutual respect for the pact and on a just equilibrium which cannot be disturbed without causing deep perturbation. The Canadian federal administration, in the matter of bilingualism, has not so far conformed to the spirit and the letter of the confederation pact, nor to efficiency in the fullest sense of the word.

I point out once again that the opinions expressed above are my personal views. The facts reported have been gathered from my own observations during this investigation. The Commission has not attempted to pass judgment on the facts and the opinions herein set forth. The attitude of the Commission flows from its interpretation of the terms of reference, which, it considers, do not call for a comprehensive study of the broad problems dealt with above.

A handwritten signature in dark ink, reading "F. Eugène Thérien". The script is cursive and fluid, with the first name "F." and last name "Thérien" clearly legible.

F. EUGÈNE THERRIEN
Commissioner.

2 FINANCIAL MANAGEMENT

MANAGEMENT OF THE PUBLIC SERVICE

REPORT 2: FINANCIAL
MANAGEMENT

PUBLISHED BY THE QUEEN'S PRINTER OTTAWA CANADA FOR
THE ROYAL COMMISSION ON GOVERNMENT ORGANIZATION

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PART 1

1

INTRODUCTION

The activities of the Government of Canada are carried out today through a large and complex organization. Forty-eight departments, commissions and boards, comprising the executive branches of government listed in the Estimates and receiving parliamentary appropriations, are currently disbursing upward of \$7,000,000,000 annually. About one-half of the amount is represented by the purchase of goods and services by the government itself and the balance, being transfer payments to individuals and other levels of government, is principally devoted by the recipients to the purchase of additional goods and services. Viewed in relationship to the gross national expenditure of Canada, almost \$36,000,000,000, it becomes evident that the effectiveness with which these large sums of money are managed by the government has important implications for the well-being of the country.

The growth in total budgetary expenditures of the Government of Canada from the Consolidated Revenue Fund and Old Age Security Fund is shown by the following tabulation:

FISCAL YEAR	TOTAL BUDGETARY	
	EXPENDITURES	
1871	\$	18,872,000
1881		32,579,000
1891		38,855,000
1901		55,503,000
1911		121,658,000
1921		528,899,000

FISCAL YEAR	TOTAL BUDGETARY EXPENDITURES
1931	441,568,000
1939	553,063,000
1951	2,901,242,000
1956	* 4,799,328,000
1961	* 6,550,514,000
1962 (Budget estimate)	* 7,188,400,000

* Including Old Age Security payments of \$366,200,000 in 1956 and of \$592,400,000 in 1961 and \$625,000,000 in 1962.

The dimensions of the increase from pre-World War II levels to the present, a twelve-fold gain, are due only in part to the continuance into peacetime of defence expenditures on a major scale. Contributing substantially to this increase has been a marked broadening in the scope of federal activities, as well as expansion in the volume of welfare and transfer payments. What was a relatively simple government organization in 1939 has become today a complicated system of departments, boards and commissions engaged in a multitude of different tasks. Obviously, the methods found effective for the management of the relatively compact organization of the pre-war days cannot control, without extensive alteration, the vast complex which has come into being in the past twenty years.

Your Commissioners are required to report on steps that may be taken for the purpose of "making more effective use of budgeting, accounting and other financial measures as means of achieving more efficient and economical management of departments and agencies". Consequently, comparisons have been made of the means employed to manage and control large and complex organizations by leading commercial and industrial corporations and by other governments, principally those of the United Kingdom and the United States.

In commerce and industry, efficient financial controls and accounting have long been regarded as indispensable management tools, without which the modern large corporation could not have come into being. In the United Kingdom, as well as in the United States, the past decade has witnessed increasing emphasis by government upon the management aspect, and extensive modernization of procedures to increase efficiency.

In Canada, with little similar development, the government's financial controls and accounting systems are cumbersome, with a multiplicity of checks, counter-checks, and duplication; and blind adherence to regulations is too often given precedence over efficiency and despatch. This ponderous system, virtually unchanged in the past thirty years, is regarded by many as the price

that must be paid under democracy in order to hold public servants properly accountable. The fact is that the present system, with all its excessive elaboration, fails even in that aim. Inadequate delegation of authority, divided responsibility, all the duplicate and repetitive checks, make it virtually impossible to assess responsibility for error or inefficiency in such a way that the public servant can be held accountable.)

Resistance to change in government procedures is often based on the conviction that what has been found useful in private business is not applicable, because government and business are different. Is government really different, or is the extent and nature of such difference sufficient to justify the refusal to adopt proven efficiency techniques developed by business? While government is not directly influenced by the incentive that profits give to owners, most employees in large businesses are only indirectly influenced by profits. The objectives of employees are expressed in terms of sales, service, volume, costs, and they often have no knowledge of the resulting profits.

✓ Budgeting, accounting and other financial measures are a means of providing all levels of management with targets or objectives so that the performance of each may be measured. They also provide a check on the efficiency with which available resources, material and human, are used. Modern business, losing with growth much of the direct incentive provided by profits, has been forced by competitive pressures to develop techniques to meet modern needs. Similarly, the explosive growth in the scale of government expenditure necessitates the adoption of modern and efficient management methods, similar in many respects to those employed by business.

The terms of reference direct your Commissioners to review the executive side of government and the inquiries conducted have, accordingly, considered the various areas of government activity in the context of the management structure as a whole. It has, however, been recognized that finance and accounting matters have direct relevance to the parliamentary process, particularly in their reporting aspects. An acceptable system must both meet the needs of the Executive and facilitate the task of the House of Commons in exercising control over the public purse.

2

FINANCIAL ASPECTS OF MANAGEMENT

Planning

Good management of any enterprise, either in government or industry, requires sound planning. If the time and effort going into the preparation of the government's annual financial plan, or Estimates, is a reliable yardstick, the Government of Canada might be thought to lead industry in this regard. All levels of management in government are involved: the several departments, in planning and original preparation; the Treasury Board and the Cabinet, in reviewing and approving; and Parliament, in discussing and ultimately voting the necessary funds.

Parliament's control of the purse is firmly established in our system of government. Taxes cannot be imposed nor money spent without the approval of Parliament. The Estimates are, therefore, primarily designed to secure Parliament's consent to projected expenditures. The utility of the present form in performing this role will be discussed later in this report.

Forecasts of expenditures also have a management control function. They not only serve as indicators of future results, but can be used to govern the scope and intensity of effort to be applied to individual operations. They can be applied to establish standards of performance or goals against which performance by management at all levels may be judged. Wisely designed and accompanied by appropriate delegation of authority and responsibility, a system of budgetary control permits senior management to free itself of a mass of detail and devote its whole effort to major affairs. In this context, the present planning procedures of the government are seriously deficient.

Parliament is requested to approve a department's spending plans by a num-

ber of subdivisions called votes. In the fiscal year 1961-62, the Main Estimates included 495 votes, over three times the number currently used in the United Kingdom. Each vote defines the particular service or activity it covers and states the total financial requirement therefor in the coming year. In the 1961-62 Estimates, vote amounts ranged from \$500 to \$536,000,000, with provision for some specific activities divided between two or more votes. Rationalization and a reduction of the number of votes would make the definition, planning and control of activities more effective, and would give management greater flexibility in achieving its objectives. Closer identification of votes with programmes or activities, and with levels of responsibility, would meet the need for greater accountability for performance.

The British North America Act declares that Parliament may not appropriate revenues or impose taxes unless they are first recommended by message of the Governor General. Although the ministers of the Crown, as advisers to the Governor General, are collectively responsible for the overall expenditure of the government, the volume and complexity of the Estimates are such that most of the responsibility for detail has been delegated to the Treasury Board. This is a statutory committee of the Queen's Privy Council of Canada composed of six ministers, including the Minister of Finance as Chairman. This group of busy ministers looks to its staff of approximately 140, provided by the Department of Finance, for much of the detailed review of proposals coming before it.

The vital role of the Treasury Board in the planning process cannot be over-emphasized. Spending agencies and their ministers are not always objective in approaching the question of how available funds should be allocated. Nor can the clash of competing agencies be expected to guarantee the optimum return from public expenditure. Central review at a very senior level is necessary to analyze the programmes of all operating departments and agencies, to evaluate competing alternatives, and to promote good management and consistency in administrative policy.

The preparation and consideration of the Estimates is a continuous process commencing in June of each year for the fiscal year beginning in the following April. The Estimates are prepared by departments and agencies in accordance with procedures prescribed by the Treasury Board. The main emphasis is placed on a comparison of proposed expenditures with the current and past years' performance, and explanations must be given for all changes.

A list of authorized staff positions, called establishments, is submitted to the Treasury Board staff for review during August and September. A considerable amount of time of senior departmental, Treasury Board and Civil Service Commission personnel is involved in reviewing these establishments. The review is concerned mainly with proposed increases. For example, if a vote currently

provides for an establishment of 100 and the proposed establishment is 105, the emphasis is on justifying the need for the additional five positions, rather than on making an objective review of the continuing requirement for all positions previously authorized.

All other categories of estimated expenditure, such as buildings and works, real estate, materials, supplies, travel and removal expenses, are submitted to the Treasury Board after the establishment review. The same approach, with the main emphasis on justification of increases, is applied by the Treasury Board staff. The resulting Estimates, incorporating revisions agreed upon between the Treasury Board staff and departmental management, are submitted for consideration by the Treasury Board itself and, in due course, a general recommendation goes to Cabinet for final settlement. The Estimates are tabled early in the session, frequently as soon as the debate on the Throne Speech is completed. Supplementary estimates are subject to like review.

It has been found that the review by the Treasury Board staff has tended to be increasingly concerned with the detail of proposed expenditures rather than with the competing needs giving rise to them. Thus, there is a discernible tendency to challenge the judgment of departmental management as to the ways and means of executing approved policy. There are two results: the staff of Treasury Board is immersed in detail, much of it unnecessary; and senior departmental personnel have come almost unanimously to regard this concern with detail as representing an unwarranted interference in the day-to-day management of their departments—as indeed it is! The resulting frustration, not unnaturally, discourages departmental managers from accepting responsibility for their plans, and leads them to regard this responsibility as being shared with the Treasury Board staff. A frequent cause of misunderstandings is the free use of the Board's name. In preliminary reviews and discussion with the Board's staff, departments seldom know whether queries in fact originate from the ministers on the Board itself, or merely from the staff. All too often the result is that departmental management abdicates its responsibility for inefficiencies and waste arising out of faulty planning, and lays the blame on the Treasury Board.

Part of this problem arises from the essentially subjective approach in the review of Estimates taken by both senior departmental management and the Treasury Board staff. Records of past performance, which are largely relied on, are a poor substitute for objective standards. In particular, where a department has operated below estimated cost in the past, not only has the unspent authorization lapsed at the end of the fiscal year, but the existence of such lapsed balances tends to prejudice the department and attract reduction in the amounts authorized for future spending. The indirect result is to encourage un-economic or wasteful expenditure toward the close of the fiscal year, thereby

rendering historical performance data dangerously misleading when used as standards for the assessment of future financial need.

Objective standards are practically non-existent. While there has been a praiseworthy attempt by the Treasury Board staff to promote the development of more standards of comparison, particularly for activities requiring large staffs performing repetitive functions, such standards as have been developed are seldom scientifically based. Little use has been made of modern, highly developed techniques, such as work measurement, cost analysis and statistical sampling. Great advantage will result from the development of a system of review employing modern objective standards for the assessment of all operating activities.

In prescribing the form of the Estimates, current Treasury Board practice is to classify expenditures into twenty-two categories, known as "standard objects of expenditure"; in addition, eleven "special objects" are now in use. This classification by category of expenditure such as salaries, postage, and equipment rentals, has attractions from a statistical viewpoint but little value as a means of planning and control. The alternative method generally followed by business and some other governments is to classify expenditures by the activity that gives rise to the expenditure. Instead of using secondary categories, such as postage, printing and office supplies, expenditures are classified by programmes or organizational units, such as national parks, airports, scientific laboratories, research programmes, educational programmes, and regional or operating divisions. This type of classification has actually been initiated by certain departments for a number of programmes, with beneficial results, but this is the exception rather than the rule.

Classification by standard objects increases the tendency to focus attention on the nature of the expenditure rather than on the activity giving rise to it. Instead of a continuous study of all programmes and an assessment of their costs against current need, the review process centres on the lump sum figures shown for the standard objects. Rather than identifying obsolete programmes and reducing the scope of activities where the benefits are marginal, the practice is to reduce the specific figures appearing in the standard classification. The result may leave departmental personnel responsible for achieving objectives without the means they consider necessary.

The standard objects-of-expenditure classification has further drawbacks, for it is also used by the Treasury Board as a means of controlling departmental expenditures during the year. Parliament permits the details of expenditure within each vote to be varied within the dollar limit approved. Departments, in turn, prepare a breakdown of each vote into allotments which must be submitted for Treasury Board approval. These individual allotments,

with some exceptions, must be classified by the same standard objects of expenditure, and cannot be overspent without Treasury Board approval.

If the whole of government activity were carried on in Ottawa, these limitations would not be unbearable. But, with the broad dispersal of activity throughout Canada, the need to break down departmental appropriations into a series of rigid expense categories and to assign to each field unit a share of each individual allotment constitutes organizational nonsense. Nevertheless, many departments make the attempt and, while field officers are thus given the appearance of having some scope for the exercise of individual discretion, there is in fact remarkably little flexibility. Other departments, apparently recognizing that little is to be gained by this ponderous performance, delegate practically no spending authority to the field and make most field expenditures from their Ottawa headquarters.

The conclusion is inescapable that the present procedures in developing and reviewing the Estimates are wasteful and inefficient. The form of the Estimates does not permit intelligent criticism and, in placing the major emphasis on the nature of expenditure rather than on its real purpose, the matters coming under senior review are the less important details of administrative judgment. Any valid assessment of performance by departmental management is excluded, and it is virtually impossible to form any objective judgment from the Estimates as to the desirability of continuing, modifying, or enlarging specific programmes in the public interest.

- We therefore recommend that:*
- 1 The number of votes be reduced and all cost elements of individual programmes be consolidated within the same vote.
 - 2 Departmental estimates be prepared on the basis of programmes of activity and not by standard objects of expenditure.
 - 3 The establishment review be undertaken as part of the overall review process and not as a separate exercise.
 - 4 More objective standards for analysis and comparison be developed and employed by senior departmental management and the Treasury Board in the review process.

It is normal in industrial budgeting to relate revenues and costs. In government those revenues derived from services rendered are only incidental, since the benefits can seldom be directly allocated to specific beneficiaries. While the costs of most services are met out of tax revenues, there are activities where

charges are made for services rendered. The normal control exercised by Parliament is on the gross expenditure, and revenues are not available to cover further spending. As a result, departmental management has little incentive to collect a fair price for a particular service, even where a reasonable charge would not interfere with the purpose of the service. Also, because expenditure is controlled without regard to related revenue, management cannot increase expenditures to provide increased services in response to demand, and the willingness of the public to pay.

Control would not be lost by either Parliament or the Executive if all vote and allotment controls were to be based on the net, rather than on the gross cost of the service, provided the revenue is directly derived from the provision of a service optional to the user. Further, the true anticipated cost of these services to the public purse would appear in the Estimates, avoiding inflation of the budget and permitting a better analysis of competing or alternative programmes.

We therefore recommend that: Where appropriate, revenues be offset against related expenditure, and that votes be shown in the Estimates and controlled on a net basis.

The principle that Parliament should vote funds for expenditures on an annual basis is recognized as a necessary element in its control of the purse. Nevertheless, no intelligent planning can be done on an annual basis without giving consideration to the impact of current plans on future years. Both the Treasury Board staff and most departments now tend to ignore long-term planning except for capital projects. Too little consideration is given to the impact of new programmes on future operating costs, and the thought that is given is seldom laid down in a formal way to facilitate responsible planning by departments and the Minister of Finance. A review of every department's long-term plans in advance of consideration of the detailed Estimates would not only be a salutary discipline on the departments, but would permit approval in principle of new plans and expenditure limits before each department spends the time and effort necessary to include the details of such plans in the annual Estimates.

Having regard to the rapid elaboration of government activity and the continuing demand for the provision of new or enlarged programmes of public expenditure, the question of forward planning assumes major significance. Based upon forecasts by each department over a period of years ahead, surveys of total anticipated expenditure in relation to prospective resources would provide a most useful background against which decisions involving substantial

future expenditures should be taken. A five-year projection, amended and updated each year, should be an indispensable tool for policy-making, but has not so far been developed in Canada.

We therefore recommend that:

- 1 All departments and agencies be required to prepare and submit to the Executive long-term plans of expenditure requirements by programmes.
- 2 Based thereon, an overall forecast of government expenditures and prospective resources for a period of five years ahead be prepared annually.

Expenditure Control

Funds are appropriated by Parliament to the Executive, but departments generally assume that it is "their" money, once a sum is voted. Consequently, the documentation used to justify a vote to the Treasury Board, and any revisions made by the Board, are fundamental to the control of the subsequent application of such funds. If departments were held to the intent expressed when their Estimates were approved, many of the other steps now employed to control the spending process would be unnecessary.

The emphasis on programmes in the planning process is designed to facilitate delegation of authority to all appropriate levels of management. Planning must have central direction, but the officers charged with execution must have adequate authority in order to carry out the programme efficiently. Neither the Treasury Board nor the ministerial heads of departments can hope to have detailed knowledge of each of the many and varied activities being carried on. But response of the Treasury Board to this situation has been to curtail the managerial freedom of operating personnel by multiplying controls, ceilings and regulations. Departmental heads, with their authority so circumscribed that they are unable to delegate authority to the manager in the field, tend to surround him with even more restrictive controls.

Detailed restrictions, centrally imposed, multiply the number of departmental submissions to the Treasury Board requesting authority to act. Thus the Board is inundated with administrative detail. A sampling of Board Minutes indicates that decisions are required on about 16,000 submissions annually. These vary from elaborate and far-reaching projects involving a sizeable portion of Canada's economic resources, as in a new defence installation, to a request involving a few dollars for the purchase of sugar and tea for a reception at an Experimental Farm. Obviously, the ministers on the Board cannot review

such a mass of requests in any detail, and much is therefore left to the decision of the staff of the Board.

Your Commissioners believe that departmental management must be entrusted with the power of decision in many of the areas now being controlled by the staff of the Treasury Board. Leaving such detailed matters to the departments should develop a greater sense of responsibility among departmental managers. Some administrators may be reluctant to accept the responsibility which must accompany the proposed transfer of authority, but experience in business has proved that able managers will respond to the challenge provided by additional freedom to make decisions. Treasury Board, freed of this detail, should concentrate on the essential task of reviewing the programmes and objectives of departmental management in relation to overall government policy.

Treasury Board's method of allocating funds by objects of expenditure, as noted, limits the ability of departmental management to choose between alternative methods of achieving objectives. Restrictions of another type result from the authority conferred on the Treasury Board by the Financial Administration Act to make regulations "for the efficient administration of the public service".

Statutory directives and Treasury Board regulations are designed to establish certain standards of performance and practice to apply uniformly throughout the public service. Under the present system of financial control, unless there is specific authority, departments cannot get their expenditures certified for payment. Thus, situations not covered by existing regulations have to be referred to Treasury Board for authority. When these become too numerous, a cure is attempted by promulgating more regulations, drafted to cover every possible contingency.

Regulations are necessary in any large, diverse, multi-functional operation, but it is generally accepted that the rule-making authority should not become directly involved in the application. Regulations that are really elaborations of policy can facilitate decision-making if properly designed. But, excessively detailed inconsequential regulations limit the discretion of managers and thereby impair the quality of the administrative effort. When the judgment of departmental managers is unduly circumscribed by detailed controls imposed by central authority, it is only natural for these harassed officials to seek refuge from parliamentary or public criticism behind the barricade of regulations.

Departmental management is confronted by a particularly onerous set of restrictions in the Government Contract Regulations. Last revised in 1954, these regulations set out the rules for tendering and drawing up contracts, and establish the limits of ministerial authority for entering into contracts without the approval of the Treasury Board. These limits vary in accordance with the type of contract, the maximum for construction being \$50,000; for purchase,

\$25,000; and for services, \$15,000. With the exception of the Department of Defence Production (where amounts are set by statute), these limits apply equally to large and small departments. Submissions to the Treasury Board for expenditures, normally involving contracts, constitute a large and growing proportion of the business coming before the Board; in 1953 they amounted to 20% and, in 1961, to 35% of all submissions.

A particular irritant resulting from the contract approval procedures is that items of expenditure in excess of ministerial authority may be dealt with by the Treasury Board as many as four different times: first, on submission to the Board for prior approval in principle; second, when the proposed expenditure is included in the annual Estimates; third, when the contract itself is submitted to the Board for approval; and fourth, if and when the contract has to be amended and involves an amount in excess of ministerial authority (this may happen more than once in the course of performance).

Although departments have limited authority to contract on their own responsibility, there is often a singular reluctance to delegate any such authority to junior levels of departmental management. This has a bearing at all levels upon the extent to which certain requirements may be contracted out. There is a tendency for departments themselves to engage in activities that might readily be undertaken by other departments or private enterprise, thus unnecessarily increasing the scope of their operational responsibilities.

Some limits on contract authority are obviously necessary, but they should be established in the light of the experience of the individual department, the volume of contractual expenditures handled, and the extent of prior approval of the particular expenditure.

The Travel Regulations illustrate the dangers of a very detailed set of regulations which dictate, rather than guide, expenditure policies. These regulations, laid down by the Treasury Board, specify the maximum amounts that may be spent for various categories of travel expenses and the documentation required to submit claims for reimbursement. These regulations are a source of great annoyance and frustration to public servants and, yet, seldom reduce expenditures. Departmental officials, approving travel claims, are given little latitude, although their accounting and administrative staff devote an excessive amount of time to ensuring that the details of the regulations are adhered to, as does an undue proportion of the staff of the Comptroller of the Treasury.

Travelling allowances on a per diem basis are rarely used in the public service. Greater use of such allowances would lead to substantial savings in administrative costs. It is recognized that variations would probably be necessary to compensate for regional differences in the cost of travelling. The status of individual public servants should also probably be given some recognition.

However, the potential savings surely permit fair rates to be established for those large cities where a substantial number of public servants are on travel status.

- We therefore recommend that:*
1. Departments and agencies be given the necessary financial authority and be held accountable for the effective management of the financial resources placed at their disposal.
 2. The Treasury Board continue to lay down policies on financial and administrative matters common to all departments and agencies, but in a less restrictive manner.
 3. Departments and agencies be granted more discretion in the negotiation of contracts.
 4. Greater use be made of per diem rates and other measures to simplify travel regulations.

While departmental management is presently supervised closely by Treasury Board, it is also subject to restrictions imposed by another external control agency, the Comptroller of the Treasury. An officer of the Department of Finance, with a staff of 4,700 scattered throughout the public service across Canada and abroad, the Comptroller can be likened to a policeman patrolling the departments to ensure financial rectitude. Under the Financial Administration Act, he is responsible for certifying that funds are available in appropriations to cover every proposed expenditure—this is known as “commitment control”. He has the duty of examining all expenditures prior to payment; he must withhold approval and refer to the Treasury Board for instructions any expenditure which, in his opinion, is not a lawful charge against an appropriation—this operation is known as “pre-audit”. The Comptroller of the Treasury is also responsible for issuing cheques and for keeping the central accounts of the government. Although departments are not obliged to use the Comptroller’s accounting services, he is empowered to provide such services as departments request.

The Comptroller of the Treasury exercises commitment control over departmental expenditures in order to prevent the overspending of votes or allotments. He performs this function by maintaining a record of all outstanding commitments. These records are duplicated by many departments for two reasons: first, because they believe the funds should be earmarked or committed as soon as the decision to enter into a contract is made, rather than waiting until the neces-

sary documentation has been completed; and second, because some departments feel they cannot responsibly recommend expenditures at all operating levels, particularly in the field, without being aware on a current basis of previous commitments.

Departmental management should be capable of ensuring that expenditures are not made in excess of available funds. Neither the United Kingdom nor the United States places this responsibility in the hands of an external control agency.

Reference has been made to the pre-audit procedures of the Comptroller of the Treasury, whose detailed verification is designed to ensure that goods or services have been supplied or that the work has been performed, that prices charged are reasonable or in accordance with contract, that funds are available, and that the expenditure is properly authorized and legally chargeable against the appropriation. Departmental management must apply these tests in the first instance when handling individual items on a day-to-day basis. However, in order to avoid delays, questions, or rejection at the hands of the Comptroller, many departments subject their expenditures to a further check or pre-audit of their own in advance of verification by the Comptroller. The cost of such duplication is very substantial.

A sure indication that responsibility for many of these operations lies properly within the departmental spending unit is that the Comptroller has to rely on the certificate of a departmental officer for many of the things that he checks. Effective pre-audit can best be performed within the department, and the Comptroller's responsibility might reasonably be limited to satisfying himself, before issuing a cheque, that a properly authorized officer of the department has certified the expenditure.

We therefore recommend that:

- 1 Responsibility be placed on departments for certifying to the Comptroller of the Treasury that expenditures will be lawful charges and that funds are available.
- 2 The responsibility of the Comptroller of the Treasury be limited to ensuring that the departmental officers providing this certificate are properly authorized.

These recommendations for improving financial control by delegating appropriate authority to departmental managers are not inconsistent with the concept of the public service as a unified, integrated system. This re-location of financial powers is in no sense intended to place departmental managers beyond the complete control of the Executive, including Treasury Board and ministerial

heads. The current method of ensuring accountability, by surrounding departmental managers with a hedge of detailed, negative controls and regulations, can only frustrate the aims of efficient, economical management.

The granting of greater working freedom to departments must be accompanied by two restraints. First, departmental managers must work within common policy guidelines laid down by the Treasury Board. Second, the Treasury Board should be required to concur in the appointment and participate in the development of the careers of the senior finance officers of each department and agency. This practice has been followed in the United Kingdom over the last forty years and has facilitated a successful devolution of authority from the British Treasury to departmental management. The scheme has not been incompatible with the aim of preserving a unified public service; it has freed central authority from the niggling detail that now clutters the Canadian Treasury Board, and has enabled the British Treasury to concentrate on the broader elements of administrative policy and direction. At the same time, responsibility for the expenditures of each department is placed squarely where it belongs—on the shoulders of senior departmental officials, who are held personally accountable.

It should be emphasized that the departmental finance officers would not be officials of the Treasury Board simply by virtue of conferring on the Board a voice in appointment. They would remain, as they have in the United Kingdom, subject to the authority of their deputy ministers, who would continue to be accountable for the management of the departments.

The report "A Plan for Management" sets out in greater detail the general philosophical and organizational concepts against which this particular recommendation can be tested. In the report on "Personnel Management" a parallel recommendation has been made concerning the senior personnel officer in each department and agency.

We therefore recommend that: The appointment of the senior financial officer in each department and agency be subject to the concurrence of the Treasury Board.

Accounting

The delegation of appropriate financial authority to departments and agencies and the recommended relief of the Comptroller of the Treasury from the internal verification process will necessitate a major improvement in departmental accounting procedures. The art of accounting, once concerned almost

exclusively with recording the past, today addresses itself at least as much to the future as to the past and, in doing so, has become a more practical instrument for management. It is able to provide a language in which any financial plan can be expressed and traced as it is executed.

No one accounting system can meet the requirements both of the government and of its individual departments and agencies. Departmental accounts must be compatible with government requirements and provide the information necessary for the Public Accounts, but the primary need is to give departmental managers the information that they require. No standard or uniform set of accounts could adequately record the activities of all the departments and agencies of the Government of Canada, with their varying and diverse responsibilities. Accounting is flexible, and systems should be designed to meet the specific needs of each organization at all levels of management. Therefore, the management of each department or agency, subject to Executive needs, must be responsible for designing and operating an accounting system tailored to its own requirements and, to this end, must be provided with the necessary technical assistance, both from within and outside the departments.

The Comptroller of the Treasury is empowered to provide accounting services to any department or agency on request. Because the Comptroller's primary responsibility is to record and account for the cash received and expended by the government, the systems provided are designed to service his own requirements and seldom meet adequately the needs of departmental management for up-to-date reports and data indicating progress of plans at all operating levels. The Comptroller should continue to keep the central accounts of the government, but his responsibilities for departmental accounts should be limited to the right of review, to ensure that the accounting data provided for incorporation in the central accounts of the government are satisfactory and properly comparable. On request from departments, he should also act as a consultant and provide advice on accounting matters.

We therefore recommend that: Departments be responsible for designing and maintaining the accounting records necessary to meet their requirements.

Most departments with large and varied expenditure programmes will not be able to meet their managerial needs by retaining the present cash method of accounting. Accounting for expenditure transactions can take place at any one of the following times: first, when the need to purchase the goods or services is realized and the contract issued—this is commitment accounting; second, when the goods or services are paid for—this is cash accounting; and third, when the

goods or services are used (either before or after they are paid for)—this is accrual accounting.

Accrual accounting is almost universally used in industry to provide management with accounting information on activities as they take place. It makes accounting reports more objective and comparable over any period of time. It lays the basis for, but does not necessarily imply, cost accounting. For most governmental activities, accrual accounting will simplify the accounting records that must be kept. Accrual accounting can provide adequate safeguards against over-expenditure on all outlays other than large capital acquisitions, and the latter can be recorded by other means.

Depreciation accounting is closely related to accrual accounting. Except in those separately organized government corporations following normal commercial practices, capital costs in the Government of Canada are charged off when the funds are expended. However, depreciation needs to be taken into account by the government, for example, whenever an activity or service is expected to operate at a profit or to break even; whenever a government department or agency provides services which might alternatively be provided by private enterprise; and whenever alternative courses of action are being considered for planning purposes. Wherever depreciation accounting is necessary for management purposes, it should be incorporated in the departmental accounts, or else adequate records of assets in use should be maintained.

Little would be gained by converting the overall accounting system of the government to an accrual basis. Parliament is primarily interested in knowing what funds must be raised through taxation to meet expenditures due to be incurred in the fiscal year, and is only interested in the operating results for the full fiscal year. Under the present cash system of accounting, modifications are made by holding the books open for thirty days after the end of the fiscal year to permit disbursements to be made on goods or services received but not paid for during the fiscal year. Other modifications have been made to the cash accounts to bring the annual results closer to those that would be obtained on an accrual basis.

We therefore recommend that: Departments adopt accrual accounting.

Since the goal of any accounting system is to set forth objectively in monetary terms a department's plans and its success or failure in achieving them, the system should be based as much as possible on actual and complete costs. Many instances have been found where incomplete and inconsistent cost data have misled management into faulty planning. More than \$110 million is spent on

common services now provided free of charge to the user departments. These free services include accommodation, furniture, power, franked mail, superannuation and other employee benefits. Unless these costs are charged, user departments cannot be expected to be conscious of the costs or to have an incentive for more efficient utilization.

We therefore recommend that: The costs of major common services be charged to user departments.

Other Controls

The importance of budgeting as a control technique in industry has been described earlier. If, in addition to the budget, there is a well-planned system of management reports, results can be communicated to higher levels of management in such a way that deviations from the budget plan are highlighted and appropriate action can be taken.

The principal financial statements now in use are produced by the Comptroller of the Treasury. These are monthly statements showing the cash disbursed, outstanding commitments, and unspent balances for each appropriation by allotment. Generally speaking, other than some statistical accounting data, these are the only financial reports available for use by the departments, the Treasury Board and the Minister of Finance. Management reports, showing expenditures incurred on an accrual basis for each month and year to date at each level of operating responsibility, are not available and are not compared with amounts budgeted for the period.

In industry, most periodic reports are for internal use only. Since present reporting techniques in government are geared to the purposes of external control agencies, there has been little development of reports for managerial control within the departments themselves. However, the recommendations for increased delegation of authority to departments and agencies, subject to control at the policy level only, will accentuate the need for adequate internal reports for the use of both departmental management and the central financial authority.

We therefore recommend that: Departments and agencies adopt modern management reporting techniques.

Internal auditing is a management device used widely in large industrial concerns to maintain a high standard of performance. The internal audit depends for its economy and effectiveness on the adequacy of what is known in industry as internal control. This relates to the arrangement of duties and division of work in such manner that one employee, independently following

his work assignment, is automatically checking (but not duplicating) the work of another. A practice generally followed in government is to employ large clerical staffs to perform routine, repetitive checks, designed to turn up errors; this should be replaced by a properly planned system of internal control. Reference to the report on "Paperwork and Systems Management" will provide numerous illustrations of the immense cost of the checking procedures presently employed in the public service.

At the moment, very few departments have internal auditors engaged in verifying the accuracy of accounting records, the adequacy of internal control, and compliance with departmental directives. The Comptroller of the Treasury, through his Audit Services Division, verifies the accuracy of certain manufacturers' and contractors' records, primarily for contracts issued by the Department of Defence Production. As a service to certain departments, this Division also carries out some internal audits, primarily of revenue and mainly concerned with the correctness of the accounts rather than with the performance of management.

With the recommended transfer of the pre-audit responsibility to departments, there is no particular reason for the retention of supervision of the Audit Services Division by the Comptroller of the Treasury, and the verification of costs of outside suppliers could better be done by the purchasing departments. Should the expert accountants of the Audit Services Division be transferred to the departments, they could continue to perform their present duties and would also serve as a qualified nucleus for internal audit groups. Such transfers would prove an effective stimulus to those departments and agencies that have already taken steps to create internal audit sections.

We therefore recommend that: Departmental management be responsible for establishing and maintaining a proper system of internal audit.

Revenue and Cash Management

The House of Commons and Treasury Board maintain continuing scrutiny over expenditures, but neither intervenes to any extent in the collecting process, although the exercise of departmental discretion may be far-reaching. This is because two automatic safeguards are characteristic of revenue management: first, the Crown's constant need for money makes obligatory an efficient collecting system and, second, aggrieved persons enjoy right of access to the courts for relief against any illegal levy.

The ministerial head of a collecting department may rely exclusively on the advice of his officers in deciding a matter involving a substantial sum of reve-

nue, but he often has quite limited discretionary powers where a fraction of the amount is to be spent under the authority of a vote. Because of this, reviews of administrative practices disclosed that there is, generally, greater proficiency in the collecting of tax revenue than in public spending.

Some inconsistencies have been observed in legislation relating to tax collections. For example, only the Income Tax Act permits the taking of a mortgage on property of a taxpayer as security for taxes due but not paid. Another exception is that only the Income Tax and Unemployment Insurance Acts provide that, on production of a certificate of indebtedness to the Exchequer Court, proceedings may be taken thereon as if the certificate were a judgment of the Court. It is also difficult to reconcile the reasoning behind penalty provisions in various taxing statutes. Some are harsh, while others are nominal. On another level, most taxes can be paid by ordinary cheque, but payment by certified cheque or cash is necessary for customs duties.

We therefore recommend that: Consideration be given to making more consistent and generally applicable any special powers granted to enforce tax collections.

Many non-tax statutes provide that the Governor in Council may fix scales of fees and charges for licences granted, services rendered, etc. In one statute, it is observed that the scale of fees is to "be regulated so that they will, as nearly as may be, meet the cost of carrying this Act into effect", but this is exceptional.

Instances were noted where collections far exceed cost—the fee derived from incorporating a company is an example. Conversely, there are cases where revenues fall far short of costs, as in the administration of the Canada Grain Act. Where rates are fixed by statute, legislative adjustments lag behind increases in operating costs. The rate fixed by statute for carrying second-class mail is an illustration. It was also observed that the only prerogative fee (the charge for passports) results in a substantial profit to the Crown.

In days long gone, collections were used to finance directly various public services. For example, customs officers were compensated by a percentage of their collections; postmasters were paid out of their receipts; toll roads were common and wharfingers earned a living out of tolls collected on goods crossing wharves. This had the effect of automatically regulating the dimensions, standards and costs of a variety of public services. Sometimes, payments are still made out of revenues but the system no longer acts as a check on expenditures.

The 1951 Old Age Security Act is a modern adaptation of the technique. The Act imposes special income and sales taxes to finance pension payments and requires that, if the Minister of Finance be of opinion that the resulting revenue

will be inadequate, he is to report to the House of Commons "what measures he recommends for the purpose of increasing the revenues of the Fund".

Public administration is now so diversified that, where possible, an economic relationship between income and cost of a variety of public services should be maintained.

We therefore recommend that: All scales of fees and charges, which are fixed by either statute or regulation, be periodically reviewed to the end that revenues and expenditures be related.

The procurement and management of stores is discussed in detail in other reports of your Commissioners. It is an axiom of financial management that irregularity in the use or disposal of stores is equivalent to an illegal appropriation of money. This is also true in government when stores, acquired as a cost to one vote, are applied to the purpose of another.

In some instances, Parliament has authorized use of revolving funds as a safeguard against this practice. All issues from inventories, financed from revolving funds, are charged at cost to the appropriate vote at the time the goods are used. Where a revolving fund is not used, inventory control is by quantities and the entire cost is charged to the vote at the time of purchase, not when the goods are consumed. Wherever practical, the revolving fund plan is preferred, so as to preserve financial control and to avoid an accumulation of stores beyond current need.

We therefore recommend that: Consumable stores be controlled by greater use of revolving fund accounts.

The management of money held by the Crown is the responsibility of the Department of Finance. The Comptroller of the Treasury, as an officer of that department, prepares daily and monthly cash reports; monthly forecasts are prepared by both the Comptroller and the Bank of Canada. No change is recommended in respect of the handling of disbursements and cash balances arising from the activities of most departments and agencies now coming within the responsibility of the Comptroller. However, substantial sums are also held by Crown corporations and other independent agencies. These funds are often in excess of immediate requirements, and the practice is to deposit them in chartered banks or invest them in government securities. At the end of 1960 the amounts deposited in chartered bank accounts by such agencies totalled \$35.6 million. No uniform or consistent policy appears to be followed in connection with such banking transactions.

3

AUDIT OF RECORDS

OF THE PUBLIC

Records maintained by the public, either individuals or corporations, must be audited so as to ensure compliance with tax and social welfare legislation and collection of imposts arising therefrom; in addition, claims against the government for cost-plus and other contracts, and refunds, must be verified before payment.

The Taxation Division of the Department of National Revenue audits the books and records of taxpayers to verify the correctness of returns of taxable income. The Customs and Excise Tax Division of the same department is engaged in certain audit activities to verify the correctness of taxes and duties on goods imported into or manufactured in Canada. The Unemployment Insurance Commission examines the records of employers to ensure the accuracy and remittance of deductions from employees' pay. The Audit Services Division, now responsible to the Comptroller of the Treasury, audits the records of certain suppliers to the government. Various regulatory boards and commissions audit activities of companies falling under their jurisdiction for rate-making or other purposes.

Companies may thus be visited by more than one government auditor, but, in most instances, these are inspectors who are versed in the specific matters arising from particular legislation. With one major exception, it would be impracticable to combine these audit functions within a single service. The exception is the audit of payrolls by both Unemployment Insurance and Income Tax auditors. These audits could usefully be combined; for the requisite technical knowledge is comparable, the same records are examined, and the audits are

relatively simple. The records of 400,000 employers in Canada are examined at least every two years by auditors of the Unemployment Insurance Commission, but Income Tax auditors normally restrict their activities to new employers or to those who fail to make prompt remittances of moneys withheld.

We therefore recommend that: Payroll audits of the Department of National Revenue (Taxation Division) and the Unemployment Insurance Commission be combined and carried out for the purposes of both authorities by auditors of the Unemployment Insurance Commission.

The auditing requirements of the government necessitate the employment of expert personnel at varying levels of professional competence, and the very magnitude of these operations calls for skilled management of such audit staff and their procedures. Approved techniques in general use by the accounting profession include the maintenance of audit charts or programmes, preparation and retention of orderly working papers, budgets of audit time and the making of audit reports. In this area, the government's procedures too often fall short of an acceptable standard. Although the auditors employed are competent, wide variations were found in the educational requirements and training and development programmes of different audit groups. There are important advantages to be gained by improving supervision and by adopting auditing techniques in general use by the accounting profession.

We therefore recommend that: An inter-departmental committee on auditing be established to develop personnel and improve audit standards and procedures.

4

ACCOUNTABILITY TO PARLIAMENT

Financial control and accounting procedures in government must be designed to perform a dual function of servicing management and meeting the needs of Parliament. Thus far, this report has directed attention to the defects in the system and recommended improvements to facilitate the conduct of government business and provide management with the information needed for sound administration. The other equally important purpose of financial control and accounting practices is the provision of information needed by the House of Commons to perform its traditional function as custodian of the purse.

Basic information is provided to Parliament in the Estimates before funds are voted. The form of the Estimates is such that, although a mass of data are presented, it is difficult to determine the uses to be made of funds requested. Even with access to the information supporting the Estimates and used in their compilation, the officers of your Commission were seldom able to compile the cost of any activity on a functional or performance basis. The Estimates, in content and arrangement, tend to frustrate rather than facilitate public and parliamentary scrutiny of the spending programmes of departments. Among the defects are:

- The present classification of the votes does not identify the purposes of the expenditures on a functional basis or by individual programmes or activities.
- The information provided is incomplete; the narrative is not sufficiently descriptive; neither the free services provided by other departments nor the revenues arising from departmental activity are identified with votes or pro-

grammes (improvement in this regard has been made in the 1962-63 Estimates); ordinary and capital expenditures are not separated; and forward commitments are seldom shown.

- The details provided on objects of expenditure are of limited interest and exceedingly voluminous; they should be condensed or omitted.

An illustration of an improved form of Estimates designed to meet the above criticisms is provided in Part II of this report.

We therefore recommend that: The form of the Estimates be revised so that the votes will more clearly describe the purposes of expenditure, more comparable and complete supporting information will be provided, and unnecessary detail eliminated.

In the annual Public Accounts, the Executive reports to Parliament on its stewardship of funds appropriated. Following the adoption by the House of Commons of the Second Report of the 1961 Standing Committee on Public Accounts, steps were taken to improve the form and content of the Public Accounts. The revised accounts, though an improvement, could undoubtedly be more useful by deletion of names (Canadian practice is unique in this respect), and the more extensive use of tables. This document will become more illuminating if the recommended changes in the Estimates are adopted, since the Accounts will naturally follow the same pattern of classification by programmes. In addition, brief explanations of the variances between estimated and actual expenditures should be provided.

We therefore recommend that: Further improvements be made in the Public Accounts to eliminate unnecessary detail and to explain variances between actual and estimated expenditures.

Canada is an exception among national governments in that the Minister of Finance annually issues a balancing statement of assets and liabilities. This practice originated in 1868, when the Minister was directed to prepare annually a statement exhibiting the state of the Public Debt and the amount chargeable against each of the public works for which any part of the debt had been contracted. The practice then was to borrow for the cost of named works. The statement also disclosed such other accounts as were necessary "to show what the liabilities and assets of the Dominion really are at the date of such statement". No audit certificate was required until 1933.

Criticism of values given to assets became so general that, after World War

I, the Minister of Finance retained outstanding accountants of the day to review the statement. On their recommendation, he deleted upwards of \$300 million from the Assets side on the ground that: "Assets which are not readily convertible, as the specie reserve is convertible, or are not interest producing, are not such assets as ought to be deducted from the gross debt."

During World War II, the Department of Finance introduced a reserve "for losses on realization of assets". Round sum amounts were annually added for a number of years, and the amount is now \$546 million. However, this reserve is not meaningful because no part of the total is identified with specific assets.

Since 1951, legislation directs that the statement consist of such of the assets and liabilities as in the opinion of the Minister are necessary "to show the financial position of Canada" at the year-end. The words "financial position" are ambiguous when a government is involved, since the accounting conventions and principles followed in business and industry are only partially applicable to government.

The balancing figure is described as "Net Debt", which is really the excess of liabilities over the stated value of the assets. It is possible to make the mistake of viewing this as a significant figure, since it purports to represent that portion of the outstanding debt not accounted for by liquid or self-supporting assets. In fact, many of the assets are not self-supporting and others are deferred expenditures. Various items on the liabilities side are also open to challenge as artificial or unrealistic.

From the accounting viewpoint, "Net Debt" is a meaningless and misleading concept. Other countries avoid such perils by publishing statements of outstanding debt. This is accepted as a good yardstick to measure the financial position of the nation, since it indicates what loans, advances or expenditures have been financed by borrowings and not paid for from revenues.

We therefore recommend that: The Statement of Assets and Liabilities be replaced by a statement accounting for outstanding debt, direct and indirect, with no reference to net debt.

In the office of Auditor General, Parliament has provided itself with an independent agent empowered to scrutinize in detail the financial administration of the Executive branch and to report his findings to the House of Commons. The Auditor General has to satisfy himself that accounting systems, internal control and other management techniques are satisfactory in order to ensure that public funds are being legally spent. The importance of the audit of the Auditor General will be enhanced with the removal of many of the checks now imposed on departmental management. Because the Auditor General is

an officer of Parliament and not part of the Executive, it is not suggested that he should become involved in the operation of any of the procedures recommended herein. His role should continue to be that of an independent examiner reporting his findings to Parliament.

5

CONCLUSION

Your Commissioners' terms of reference direct attention to steps that may be taken for the purpose of "making more effective use of budgeting, accounting and other financial measures", and also to ways and means of "improving efficiency and economy by alterations in the relations between government departments and agencies, on the one hand, and the Treasury Board and other control or service agencies of the government, on the other". The adoption of the recommendations in this report will require significant changes in these relationships, which are summarized at this point.

Senior departmental management will have substantially increased authority and be charged with responsibility for:

- Planning and estimating financial requirements by programmes, including adequate forecasts of funds required for future years.
- Allocating funds and delegating contract and other expenditure authority to management at the operating level.
- Maintaining control by developing appropriate accounting and costing systems and introducing management reports for each level of responsibility.
- Authorizing expenditures and ensuring the availability of funds, within an adequate system of internal control.
- Securing, on the basis of equitable charges to users, non-tax revenue from the provision of goods, services or privileges.

Some of the responsibilities mentioned above are currently exercised by the Comptroller of the Treasury. This officer, whose title might appropriately be altered to that of Accountant General, the more accurately to reflect the proposed revision in his duties, would perform the following functions:

- Issuing cheques and managing government bank accounts and cash funds.
- Maintaining the central accounts of the government, preparing periodic statements of the financial position on an overall basis, and compiling the Public Accounts.
- Providing, as required, skilled assistance and advice on accounting matters to departments and agencies.
- Administering all superannuation and pension plans, including those of the Armed Forces and Crown corporations.
- Providing automatic data processing facilities on a service basis.

These last two duties relate to suggestions contained in other reports of the Commission and represent new responsibilities for this officer. Transfer of these functions to the Comptroller of the Treasury (Accountant General) will remedy the present unsatisfactory diffusion of responsibility for the administration of pensions and automatic data processing activities.

The office of the Comptroller of the Treasury now employs 4,700 people across Canada and abroad, at an annual cost of over \$21 million. Approximately one-third of the staff is engaged in departments on commitment control and pre-audit tasks. The staffs of the Comptroller and of the departments duplicate these functions to such an extent that the elimination of a second check by the Comptroller should free a large number of Treasury officers for other duties. Departments required to develop their own accounting procedures, however, will need additional staff of high calibre. Treasury officers becoming redundant because of these changes are thus an obvious source for the recruitment of departmental accounting staff.

The new duties proposed for departmental management will in no way limit the powers of the Treasury Board. On the contrary, the recommendations are designed to increase the effectiveness with which the Board performs its vital role. The Board will be responsible for the following aspects of financial management:

- Reviewing and approving the programmes and objectives of departmental management, both annual and long-term, to ensure execution and compliance with government policy.
- Establishing broad principles of administration to ensure reasonable uni-

formity and consistency throughout the public service.

- Concurring in the appointment of the senior financial officer in each department or agency to ensure an adequate level of departmental performance.
- Supervising application of financial policies and practices.

The reports on "Personnel Management" and on "Paperwork and Systems Management" describe other duties which should be assumed by the Treasury Board staff. It is suggested that the division of the staff which would be responsible for advising the ministers on the Board on many of the matters set forth in this report should be known as the Programmes Analysis Division. This Division, like its counterparts, should consist of a small but highly-qualified group of officers. The intent is that none become long-term members of the staff of the Board; instead, they should go back into departments where they can apply the experience gained in Treasury Board work. Consistency between departments and agencies will be secured, not only through application of common administrative policies, but by a deliberate policy of rotation of senior officers between the different departments and the central staff of the Treasury Board.

No estimate can be made of monetary savings arising from this altered relationship of the Treasury Board to departments. Removal of the administrative details which now swamp the Board and frustrate departmental management will undoubtedly enable the Board to discharge its important responsibilities more effectively.

The regular departments of government, which are financed by funds appropriated through Parliament, can readily be brought within the management arrangements visualized in the recommendations of this report. Some of the agencies by virtue of their present organizational form and their relationships to central authority will need to be adapted to bring them within the proposed plan. In reporting on the general plan of organization for the federal government we detail the necessary steps to be taken with respect to these agencies.

Your Commissioners recognize that certain corporate entities are in a special position, either because they are engaged in activities of a commercial nature comparable to private enterprise or because they require, for reasons of public policy, varying degrees of independence from the executive branch. The agencies which, in our judgment, most clearly fall into this category are:

Canadian National Railways and subsidiaries, including Trans-Canada Air Lines; Polymer Corporation Limited; Eldorado Mining and Refining Limited and its two subsidiaries; Canadian Overseas Telecommunication Corporation; Bank of Canada; Canadian Broadcasting Corporation; The Canada Council.

These agencies, it is concluded, should not be brought within the framework of financial management proposed in this report.

In emphasizing the needs of management in the public service, your Commissioners have not been unmindful of Parliament's duty to control the public purse. Both Parliament and the Auditor General should benefit from the recommendations by receiving from the Executive a clearer accounting for moneys spent and a more intelligible forecast of the expenditure programmes of the government. Proposals for improving management, far from impairing Parliament's authority, should strengthen the vital chain of responsibility that links administrators to the representatives of the people.

That objectives such as these are difficult to attain is recognized; that they are fully possible to achieve is evidenced by the experience of other countries. Your Commissioners are convinced that the benefits, both in monetary savings and improved performance, will be very substantial.

PART 2

1

THE PRESENT ORGANIZATION FOR FINANCIAL CONTROL

ORIGINS

1 Financial control practices in the Government of Canada have undergone little formal change since 1931, when a major revision in the governing legislation was made. The historical development leading to the 1931 legislation is, therefore, pertinent to an analysis of current practices.

2 The British North America Act carried forward the financial rules and procedures of the former Province of Canada. A single Consolidated Revenue Fund was created into which all moneys received were to be deposited, with Parliament alone enjoying the power to authorize expenditures from the Fund. Such authority was given annually on the basis of Estimates submitted by the Executive, detailing the nature of the proposed expenditures. At the outset, Parliament regulated the Executive most closely in matters relating to the staffing of departments. A board of deputy ministers was directed to submit annually to the House of Commons an establishment or listing of staff positions for each department and, once tabled, the

government was bound by it during the ensuing twelve months. Moreover, Parliament fixed the rates of pay for the few grades of employees then composing the civil service structure.

3 Parliament also created a Treasury Board consisting originally of four cabinet ministers. The function of this Board was declared to be that of supervising all matters relating to finance, revenue and expenditure. At first, the Board met intermittently and concerned itself more with policy than administration. By 1910 the Board had begun the practice of reviewing the Estimates, and progressively assumed a variety of functions. However, the extensive and detailed central control, now exercised by the Board over departmental administration, is a relatively recent innovation.

4 The Consolidated Revenue and Audit Act of 1878 set forth in a comprehensive manner the financial and audit practices which were to govern without substantial alteration until 1931. It established the office of Auditor General and made him answerable for the expenditure of appropriations by requiring him

to countersign all cheques drawn on the Consolidated Revenue Fund.

5 Expenditures under this Act could be made in one of two ways: the claim for payment properly certified could be approved by the Auditor General, following which a cheque was released by the Receiver General; or, on the Auditor General's application, a lump sum could be placed in a chartered bank to the credit of a department, and properly approved officers of the department could draw cheques on this credit until it was exhausted. Progressively, more and more accounts were paid by the latter method, and the Auditor General's review prior to payment became an audit after the payment had been made.

6 Since the accounting records and financial procedures of departments came within the authority of their deputy heads, both the nature and quality of the financial control varied greatly among departments. Votes were over-expended; expenditures were charged to the wrong vote; liabilities were incurred which committed in advance almost the entire amount of votes appropriated by Parliament in the succeeding year; expenditures were made out of revenues; and other questionable practices were often in evidence. The Auditor General could challenge these practices and refuse to issue or renew letters of credit, but this presented a problem since the banks and creditors, both innocent parties, would be the ones to suffer. Eventually, he merely reported to the House of Commons over-expenditures and other practices which he questioned.

7 The growth in the size of departments increased the tendency to over-expend votes. This, together with the lack of means for determining the outstanding liabilities and commitments of the government, made a change imperative. As a result, the Consolidated Revenue and Audit Act was rewritten in 1931 and a new office in the Department of Finance, that of the Comptroller of the Treasury, was

created. He was made answerable for the legality of all charges to votes, and for any over-expenditures. Inconsistencies among departments were reduced by transferring departmental staffs to the Comptroller's office in the Department of Finance. A system of commitment control was introduced whereby funds were reserved out of appropriations to cover expenditures, before obligations were incurred. These amendments also relieved the Auditor General of his responsibility for controlling the issue of cheques and of any power to prevent an expenditure which he considered improper. His duties became solely those of an auditor examining accounts after payment and reporting his findings to Parliament.

8 The Consolidated Revenue and Audit Act was replaced in 1951 by the Financial Administration Act, which further clarified the roles and responsibilities of the Treasury Board and the Comptroller of the Treasury. No significant change in financial legislation has been made since 1951.

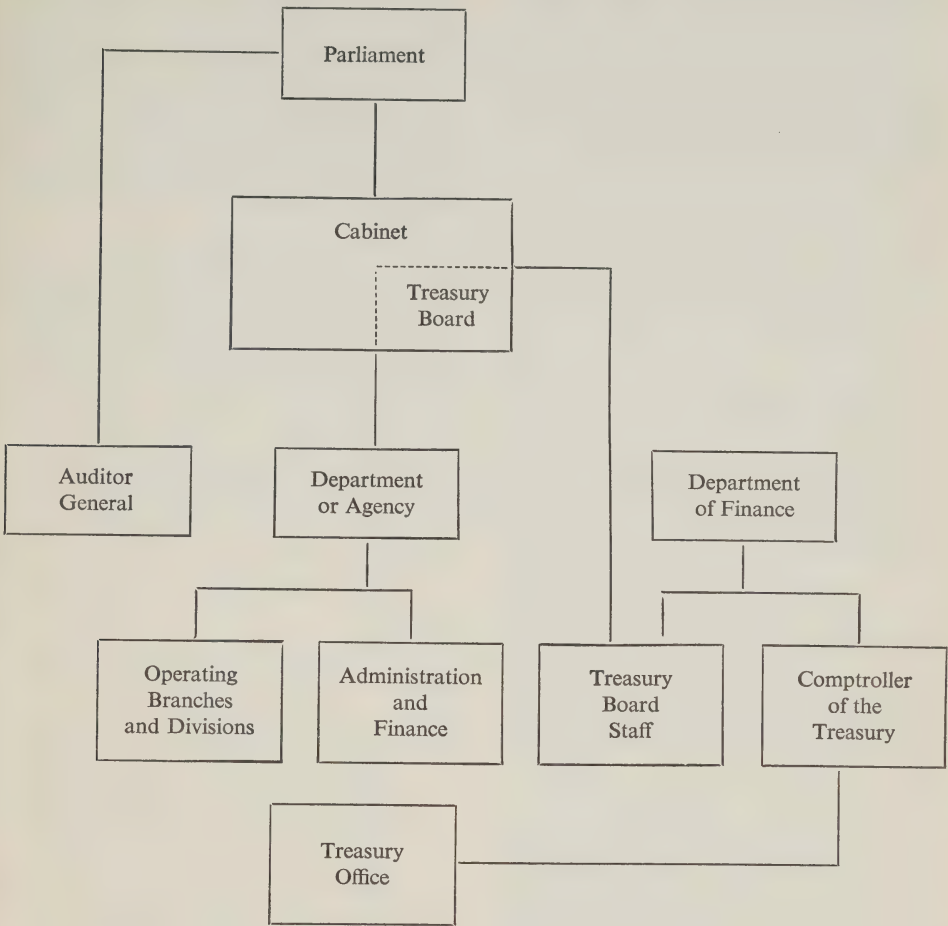
9 This Act, the foundation of the present financial control system, provides "for the Financial Administration of the Government of Canada, the Audit of the Public Accounts, and the Financial Control of Crown Corporations". It determines the roles and responsibilities of the Minister of Finance, the Treasury Board, the Comptroller of the Treasury, and the Auditor General.

10 Chart I concisely depicts the existing organization for financial control, the details of which are developed below.

PARLIAMENT

11 Each year, the expenditure programme of the government is submitted to Parliament in the form of Estimates, main and supplementaries, which are reviewed and approved through the enactment of appropriation acts. Each department's expenditure proposals are

Chart 1—PRESENT ORGANIZATION FOR FINANCIAL CONTROL IN THE GOVERNMENT OF CANADA



divided into one or more votes, each vote covering several functions or activities of the department, the intent of the vote being expressed in the narrative. The Main Estimates for the fiscal year ending March 31, 1961, included approximately 500 votes. Each vote governs subsequent expenditures in two ways: the dollar limit mentioned in the vote cannot be exceeded, and all expenditures must conform with the limits prescribed by the wording of the vote.

12 The parliamentary responsibilities are exercised as follows:

- Estimates are tabled by the Minister of Finance for parliamentary consideration.
- The Committee of Supply approves each vote by separate resolution, questioning the appropriate minister, advised by his senior officials, when the votes are considered. Some Estimates may be referred to the House of Commons Estimates Committee

or a special committee, such as the External Affairs Committee, before consideration by the Committee of Supply.

- The Committee of Ways and Means then passes resolutions appropriating moneys out of the Consolidated Revenue Fund to cover the expenses of public services.
- The House of Commons next approves appropriation bills which normally follow the wording and amounts used in the Estimates. Interim supply may be voted to meet departmental requirements pending this final approval.
- Funds become available only when the bills are given Royal Assent.

13 It is important to note that moneys are provided by Parliament to the Executive to be spent within its discretion and not to the management of departments individually. However, where a statute provides that resulting expenditures be a charge to "unappropriated moneys in the Consolidated Revenue Fund", it is not a grant to the Crown but a provision for meeting a statutory obligation. Interest on the public debt and judges' salaries are examples.

14 The Financial Administration Act also provides a method for drawing on the Consolidated Revenue Fund without parliamentary authorization. It is commonly known as the use of "Governor General Warrants". These may not be issued while Parliament is in active session, and a payment must meet the requirement of the Act as being "urgently required for the public good". Practice is to make limited use of this section, but since 1896 the power has been exercised five times to finance general costs of government when Parliament was dissolved before it had appropriated funds for the public service.

THE TREASURY BOARD

15 The ministers of the Crown, acting collectively as advisers to the Governor General,

are the Executive in the Canadian parliamentary system of government. Their primary role in the financial control system is to establish the policies of the government which, for their implementation, require the expenditure and collection of public funds. Parliament enacts the necessary legislation and provides the required funds, but the Executive is responsible for the execution of the approved programmes.

16 In practice, the ministers exercise their collective responsibility for policy in Cabinet. Most of the detailed supervision of expenditures has been delegated to a sub-committee, the Treasury Board, which is composed of six ministers with the Minister of Finance as chairman. These ministers meet, generally once a week, to consider and approve proposals made by departments and agencies, or by the Treasury Board staff.

Authority

17 The Financial Administration Act states that:

5. (1) The Treasury Board shall act as a committee of the Queen's Privy Council for Canada on all matters relating to finance, revenues, estimates, expenditures and financial commitments, accounts, establishments, the terms and conditions of employment of persons in the public service, and general administrative policy in the public service. . . .
- (3) The Treasury Board may prescribe from time to time the manner and form in which the accounts of Canada and the accounts of the several departments shall be kept, and may direct any person receiving, managing or disbursing public money to keep any books, records or accounts that the Board considers necessary.
- (7) The Treasury Board may make regulations . . . for the efficient administration of the public service.

This and other acts give the Board extensive authority in many additional areas.

18 The powers of the Board are exercised, in most instances, by considering and approv-

ing submissions from departments or agencies requesting funds or authority. The Board, on its own initiative, also issues regulations to give direction and delegate authority to departments. Currently, there are approximately 16,000 yearly submissions reviewed and decided upon by the Treasury Board. The subject matter of submissions made in 1960 is analyzed as follows:

Table 1 — ANALYSIS OF TREASURY BOARD SUBMISSIONS

Acquisition or provision of—		
Buildings, land and works	2,401	
Supplies	1,523	
Ships and aircraft, including equipment	958	
Services	780	5,662
Personnel and associated matters—		
Civil	3,169	
Other than civil	111	
Pension, annuity and compensation plans	1,560	
Travelling, removal and other expenses	627	5,467
Accounting and administrative procedures		1,893
Estimates and transfers between allotments		1,750
Claims—		
By and against the Crown	342	
Remissions, refunds and drawbacks	167	509
Other—		
Payment of grants and subsidies	220	
Veterans' benefits and regulations	45	
Committees and conferences	13	
Social security	36	
Miscellaneous	192	506
Total number of submissions	15,787	

The Treasury Board Staff

19 The Minister of Finance is empowered to designate an officer of the Department of Finance, generally an assistant deputy minister, to be Secretary of the Treasury Board. The Secretary is responsible for preparing the agenda for Treasury Board meetings, attends

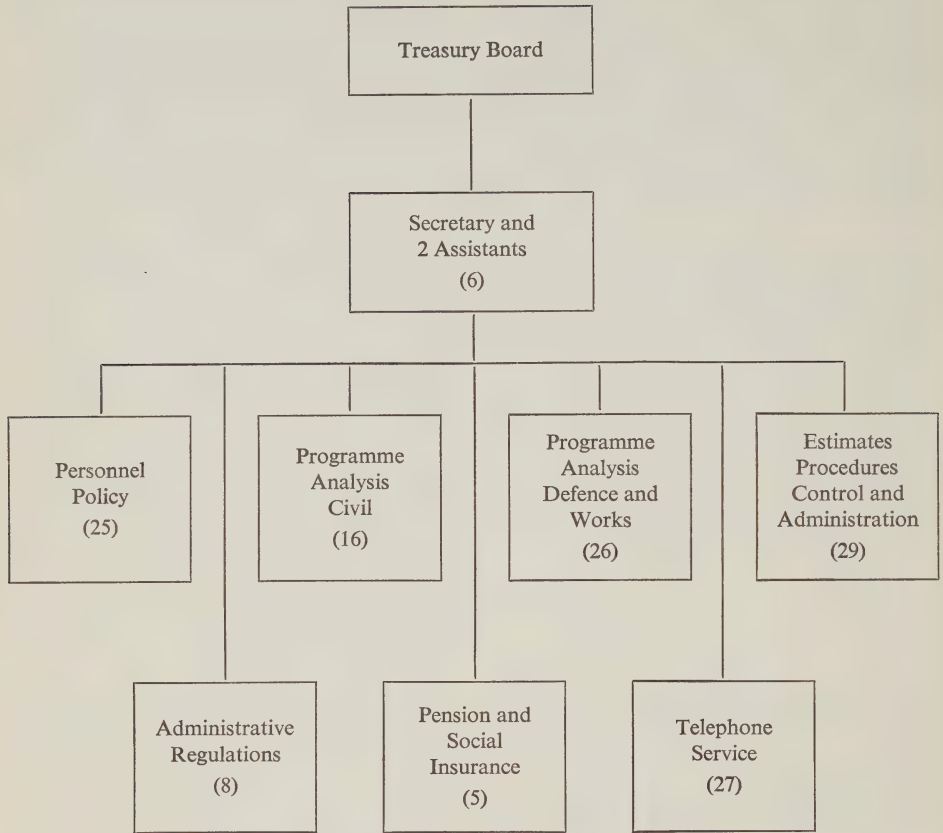
the sessions, and provides any additional information required by the ministers. He acts as the administrative head of the Treasury Board staff, composed of approximately 140 employees who are provided by the Department of Finance. The staff is divided into a number of organizational units as outlined in Chart 2 (the number of staff at July, 1961, being shown in parentheses).

20 The Secretary has two assistant Secretaries, each of whom carries broad responsibilities for staff activities. One is concerned primarily with matters relating to the government as an employer and directs the activities of the Personnel Policy, and Pension and Social Insurance sections. The other is concerned more with financial management, and directs the activities of the sections concerned with Programmes Analysis, Estimates Procedures Control and Administration, and Administrative Regulations.

21 The responsibilities of the sections shown on the chart are as follows:

- The Programmes Analysis sections are responsible for reviewing Estimates and other submissions, and formulating recommendations on general expenditure matters.
- The Defence and Works section processes submissions from Public Works, National Defence, Defence Production, Veterans Affairs, and certain related agencies and corporations. The Civil section deals with all other departments, agencies and corporations.
- The Personnel Policy section formulates recommendations on personnel regulations and processes submissions on personnel matters not delegated to departmental management by these regulations. It also assists the Programmes Analysis sections in assessing the size of staffs requested by departments in their Estimates.
- The Administrative Regulations section is responsible for preparing various types of

Chart 2—ORGANIZATION OF TREASURY BOARD STAFF



administrative regulations and has, itself, been delegated authority to approve expenditures for items such as stationery and office equipment.

- The Estimates Procedures Control and Administration section works in conjunction with the Programmes Analysis units to develop instructions for the preparation of Estimates, arranges for the printing of the annual Estimates, and provides for the staff's internal administration.
- The Pension and Social Insurance section is primarily a staff group advising the Treasury Board and Department of Finance on pensions and insurance matters.

- The Telephone Services section manages the government's telephone system in Ottawa.

22 Four of these sections, the two Programmes Analysis Divisions, the Personnel Policy, and Administrative Regulations groups, are most concerned with financial control and most involved in the day-to-day financial control of departmental affairs.

Review of Submissions

23 Because of the large volume of submissions from departments and agencies (approximately 300 per week), the Board relies

heavily on its staff to evaluate and make recommendations on each submission. The value of proposals submitted varies from a few to millions of dollars. Submissions are separated functionally, analyzed by an officer of the appropriate group, the more complex proposals being reserved for senior officers. Submissions which have been reviewed between meetings of the Board are gathered together by the Secretary and assistant Secretaries. Since the Board meets for only a few hours each week, the submissions are coded so as to indicate the extent of consideration that it is felt is required of the ministers. In some cases, many routine submissions of the same character may be grouped together and submitted to the Board under a covering list.

24 In reviewing submissions, the staff is primarily concerned with ensuring that the request is reasonable, that the department has considered all aspects of the subject matter, and that the proposed action is in accordance with government policy. The officer responsible for reviewing the submission relies on his knowledge of the department's organization, objectives, plans and programmes, supplemented by detailed, technical questioning by correspondence or telephone. Such questioning is generally informal and based on a close day-to-day working relationship.

25 Many proposals considered to be routine are dealt with on the basis of previous Board decisions on comparable proposals. Although decisions of the Board are circulated among the senior staff, there is no formal system of cross-referencing decisions. Departmental officials, with years of experience in submitting proposals to the Board, refer to many apparent inconsistencies. One department, faced with the problem of the rotation of its own senior financial and administrative personnel, maintains a record of Treasury Board decisions in order to avoid submitting proposals which have little likelihood of approval, or to be able to refer to previous favourable precedents to support its submissions.

Calibre of Staff Required

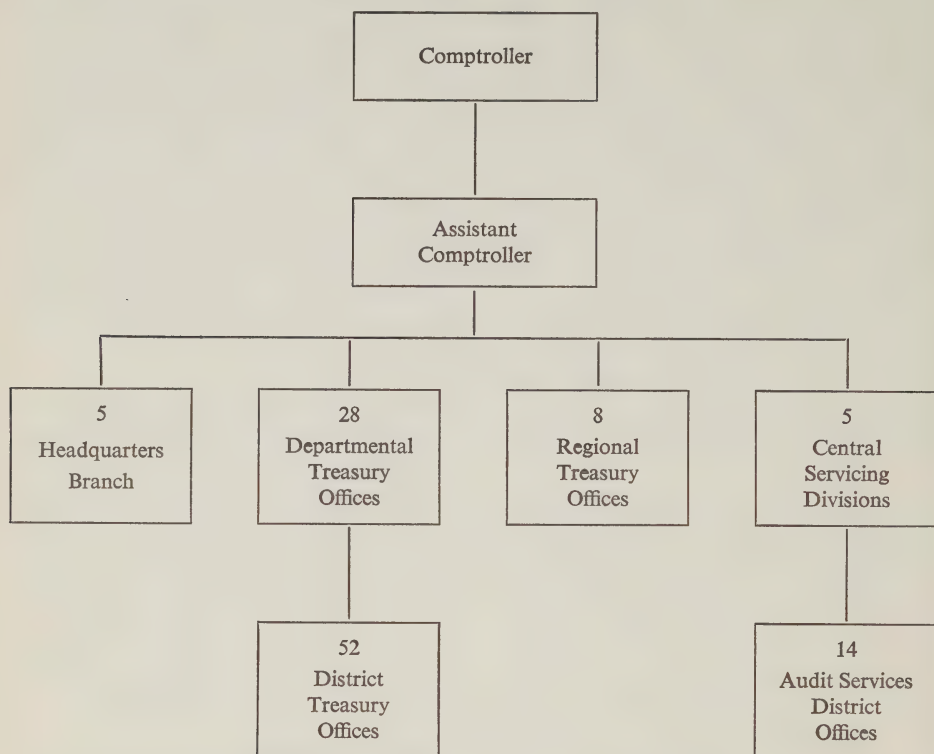
26 The significance of the authority conferred on the Board's staff becomes apparent when it is realized that the Board exercises various degrees of financial control over almost one hundred departments, agencies, commissions, boards and corporations of government. Currently, these spend funds appropriated by Parliament exceeding \$6.8 billion, as well as substantial additional sums earned by revenue-producing corporations which may be spent without parliamentary appropriations.

27 A profile of a typical officer on the staff of the Treasury Board would show him to be thirty-seven years of age, holder of a university degree and, prior to joining the government service, having some two years' employment outside the government, in addition to any time spent on military service or graduate studies. He will have had nearly three years' experience in the government other than with the Treasury Board, and will have been on the staff for some six years.

28 The senior financial and administrative officers with whom the Treasury Board staff are in day-to-day contact commented favourably on the capabilities of the Treasury Board staff, but criticized vigorously their lack of operational or managerial experience at the departmental level prior to joining the Board's staff. Detailed and repetitive questions, which departmental officials find annoying, time-consuming and unproductive, are attributed to this inexperience. This situation is further aggravated by the Board's policy of rotating junior staff within the Board secretariat to enable them to gain a variety of experience. Departmental officers indicated that the inexperience makes the staff of the Board susceptible to proposals that are adroitly presented.

29 The role of the Treasury Board is vital in any system of financial control. Many re-

Chart 3—ORGANIZATION OF THE OFFICE OF COMPTROLLER OF THE TREASURY



commendations in this report are designed to relieve the ministers on the Board of a substantial portion of the detail with which they are now confronted, and which must now of necessity be delegated to the staff. Nevertheless, the Board will continue to need a small, but highly qualified staff to advise it. Such officers should be recruited only from those senior executives of departments whose proven experience in administration will enable them adequately to assess the proposals presented to the Board.

COMPTROLLER OF THE TREASURY

Authority

30 The Comptroller of the Treasury is an officer of the Department of Finance, whose

primary responsibility is to enforce the financial decisions of Parliament, the Executive and Treasury Board. The Financial Administration Act states that:

31. (2) Every requisition for a payment out of the Consolidated Revenue Fund shall be in such form, accompanied by such documents and certified in such manner as the Comptroller may require.
- (3) The Comptroller shall reject a requisition if he is of the opinion that the payment
 - (a) would not be a lawful charge against the appropriation,
 - (b) would result in an expenditure in excess of the appropriation, or
 - (c) would reduce the balance available in the appropriation so that it would not be sufficient to meet the commitments charged against it.
30. (1) No contract providing for the payment of any money by Her Majesty shall be entered into or have any force or effect unless the

Comptroller certifies that there is a sufficient unencumbered balance available out of an appropriation or out of an item included in estimates before the House of Commons to discharge any commitments under such contract that would, under the provisions thereof, come in course of payment during the fiscal year in which the contract was entered into.

- (3) The Comptroller shall establish and maintain a record of all commitments chargeable to each appropriation.
31. (7) Where, in respect of any contract under which a cost audit is required to be made, the Comptroller reports that any costs or charges claimed by the contractor should not in the opinion of the Comptroller be allowed, such costs or charges shall not be allowed to the contractor unless the Treasury Board otherwise directs.
33. (1) Every payment . . . shall be made under the direction and control of the Comptroller by cheque drawn on the account of the Receiver General or other instrument, in such form and authenticated in such manner as the Treasury Board directs.
15. On the request of the appropriate Minister and with the approval of the Minister of Finance, the Comptroller may
- provide accounting and other services in connection with the collection and accounting of public money for a department, and
 - examine the collecting and accounting practices applied in a department, and report thereon to the appropriate Minister.

31 The Comptroller, in performing any of these duties, may request direction from the Treasury Board and, in turn, may be overruled by the Treasury Board on appeal from the minister concerned.

32 The Minister of Finance has delegated to the Comptroller responsibility for maintaining the central accounts of the government, preparing the annual Public Accounts, and for certain cash management functions.

Organization

33 Chart 3 shows the organization of the Comptroller of the Treasury in January, 1961, indicating, as well, the number of offices in each division.

34 In the fiscal year 1961-62, the organization operated at an annual cost of \$21 million, of which 81% represented salaries; it had an authorized establishment of 4,773, distributed as shown below:

Table 2—LOCATION OF THE STAFF OF THE COMPTROLLER OF THE TREASURY

	Staff
Ottawa—central staff including all Audit Services employees	1,082
—stationed in Treasury offices attached to departments	1,697
Outside Ottawa—regional and district offices	
—in Canada	1,921
—abroad	73
	<hr/> 4,773 <hr/>

35 The significant growth in this staff over the past thirty years is indicated in the following tabulation which shows the actual strength of the Comptroller's office at the beginning of certain fiscal years from 1932 to 1961:

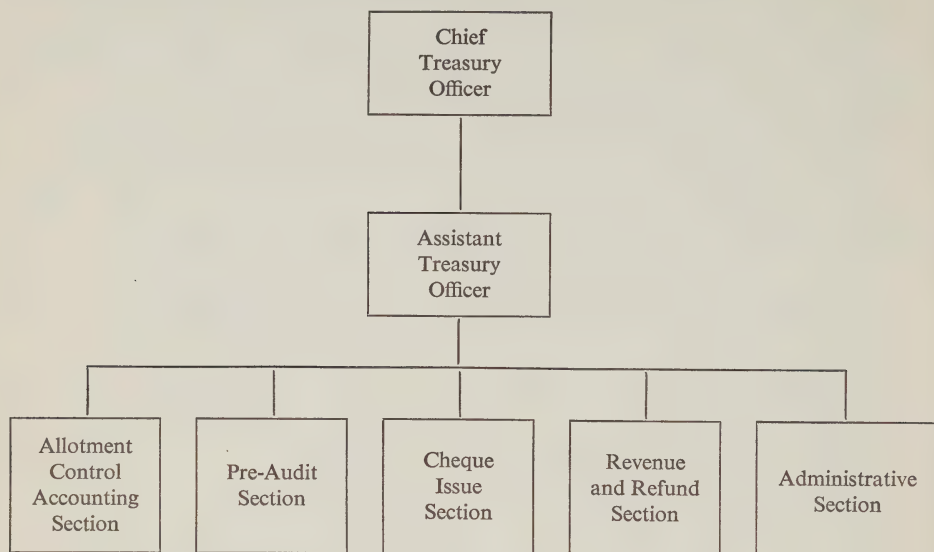
Table 3—GROWTH OF THE STAFF OF THE COMPTROLLER OF THE TREASURY

Year	Staff
1932	961
1939	1092
1940	1723
1946	9258
1947	5510
1955	4186
1961	4551

36 The responsibilities of the offices or branches identified above may be briefly summarized as follows:

- Departmental, district and regional Treasury offices service the various departments or agencies of the government. Departmental Treasury offices are usually located within the headquarters complex of the department to which they are attached, in space provided by the department. The

Chart 4—TYPICAL ORGANIZATION OF A TREASURY OFFICE



district offices, coming under the authority of departmental Treasury offices, are established to provide better service for departmental activities outside Ottawa. District offices may service more than one department, but regional offices are generally established where several departments are involved. Regional offices report directly to the Comptroller.

- The five branches at headquarters provide accounting advice; forecast cash requirements; prepare the Public Accounts and other central accounting reports; advise on authorities given by statutes, regulations, etc.; prepare manuals and supervise, coordinate and provide administrative services, including inspections and studies of systems and procedures.
- The central servicing divisions provide other offices and departments with those services which benefit from specialization or centralization, such as: cost audits; compilation, audit, issue and recording of pay and superannuation; cheque issue and reconciliation; and custody of securities.

37 The organization and procedures of departmental Treasury offices vary with the size and special needs of the department being served. However, as indicated in Chart 4, five functional units are discernible in most offices.

38 The Chief Treasury Officer, although similar to the chief accountant of a commercial enterprise, does not generally form part of the management team of the department. The functions of the various units will be described in later chapters of this report. The majority of this staff is clerical, performing work of a routine nature. Very few of these employees have professional accounting qualifications. Personnel with such qualifications are generally assigned to the Audit Services Division where they perform a cost audit function and seldom participate in the other financial control and accounting functions that occupy most of the Comptroller's staff. The following distribution, taken from the 1961-62 Main Estimates, shows the number of positions by salary range:

Table 4—SALARY DISTRIBUTION OF THE STAFF OF
THE COMPTROLLER OF THE TREASURY

<i>Salary Range</i>	<i>Numbers</i>
\$	
Over 15,000	2
7,500 to 15,000	158
5,000 to 7,500	639
4,000 to 5,000	1,667
Under 4,000	2,307
Total	4,773

AUDITOR GENERAL

39 The Auditor General, an officer of Parliament, is responsible for conducting a post-audit of financial transactions and reporting thereon to Parliament. He is entitled, at all convenient times, to free access to all files, documents and other records relating to the accounts of departments, and to require and receive from members of the public service such information, reports and explanations as he may deem necessary for the proper conduct of his duties. His officers are stationed, where necessary, in the various departments and agencies to enable him to carry out his duties effectively.

Authority

40 The Financial Administration Act states that:

67. The Auditor General shall examine in such manner as he may deem necessary the accounts relating to the Consolidated Revenue Fund and to public property and shall ascertain whether in his opinion
- the accounts have been faithfully and properly kept,
 - all public money has been fully accounted for, and the rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of the revenue,
 - money has been expended for the purpose for which it was appropriated by Parliament, and the expenditures have been made as authorized, and

- essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public property.

70. (1) The Auditor General shall report annually to the House of Commons the results of his examinations and shall call attention to every case in which he has observed that
- any officer or employee has wilfully or negligently omitted to collect or receive any money belonging to Canada,
 - any public money was not duly accounted for and paid into the Consolidated Revenue Fund,
 - any appropriation was exceeded or was applied to a purpose or in a manner not authorized by Parliament,
 - an expenditure was not authorized or was not properly vouched or certified,
 - there has been a deficiency or loss through the fraud, default or mistake of any person, or
 - a special warrant authorized the payment of any money,
- and to any other case that the Auditor General considers should be brought to the notice of the House of Commons.

Organization and Function

41 The Auditor General's office is organized on a sectional basis, each section dealing with a number of departments, agencies and corporations. Field staffs have recently been established in various cities in Canada. The Estimates for 1961-62 provided \$1,135,400 for the office, and an establishment of 159.

42 The audit of departmental financial transactions is primarily an audit of expenditures. Generally, all accounts, vouchers and other accounting documents are made available for post-audit to the Auditor General's representative in the department. Examinations are normally made by means of tests, the extent being determined by the nature of the transactions and the state of the accounts under review. The audit groups in the various departments also audit revenue, stores and other matters. The audits of Crown corporations are similar to those performed on private companies by professional public accountants.

43 Increasingly, in recent years, it has been the parliamentary practice to refer the Auditor General's report and the Public Accounts to the Public Accounts Committee of the House of Commons. This Committee considers his report, questions the Auditor General and representatives of departments, and makes such recommendations to Parliament as it considers necessary.

DEPARTMENTS AND AGENCIES

44 Departments vary both in size and function. The managing of government departments embraces every area of activity normally found in industry. It follows, therefore, that the pattern of financial control required to carry out these activities is varied to meet specific departmental needs. Departments and agencies plan and carry out the programmes of the government; their senior management is responsible for establishing objectives and policies, organizing manpower resources, planning programmes and activities, and developing new programmes for submission to higher authorities, whose necessary approval must be obtained. Departments are responsible for developing and substantiating the annual Estimates and, when approved, for allocating the funds among the various levels and spending units in the department.

45 To illustrate certain statutory financial responsibilities of departments, the Financial Administration Act states that:

31. (1) No charge shall be made against an appropriation except upon the requisition of the appropriate Minister of the department for which the appropriation was made, or by a person authorized by him in writing.
32. No payment shall be made for the performance of work or the supply of goods or the rendering of services, whether under contract or not, in connection with any part of the public service, unless, in addition to any other voucher or certificate that is required, the Deputy of the appropriate Minister or other officer authorized by such Minister certifies
 - (a) that the work has been performed, the

goods supplied, or the service rendered, as the case may be, and that the price charged is according to contract, or if not specified by contract, is reasonable, or

- (b) where a payment is to be made before the completion of the work, delivery of the goods or rendering of the service, as the case may be, that the payment is in accordance with the contract.

46 Financial management has attained different degrees of sophistication in the departments of government. Some, due to their diverse activities and functions, have been forced to adopt techniques of control that have not yet become necessary in small departments. A few large spending departments have an assistant deputy minister (financial) or a financial adviser, with duties that include responsibility for preparing and supporting the Estimates, and controlling departmental expenditures. This officer is normally responsible for liaison with the staff of the Treasury Board and the Comptroller of the Treasury.

47 The Financial Administration Act classifies most of the departments, agencies, boards and corporations of the Government of Canada into four groups, each subject to various degrees of control by the Treasury Board and the Comptroller of the Treasury. Other controls or restrictions may be imposed by the acts establishing the individual agencies or corporations. Greatest freedom is given to those corporations of a commercial nature which are able to finance all or a substantial portion of their expenditures out of the revenues that they earn. Controls are more stringent over departments and agencies financed out of funds appropriated by Parliament.)

48 The financial systems and procedures described in this report are primarily those of the latter group, although they may apply in a modified fashion to the other agencies. Normally, the agencies with greater freedom follow financial procedures which correspond more closely to those followed in commerce and industry. Except in those areas covered

by centrally-imposed regulations, great variations were found in the financial procedures and practices of individual departments and agencies. Examples of these variations will recur in this report, but they should not be regarded as an exhaustive description of all the patterns in use.

FINANCIAL CONTROL SYSTEMS IN OTHER GOVERNMENTS

49 The ensuing detailed account of financial control procedures in Canada may be usefully prefaced by a brief description of the systems employed in the United Kingdom and in the United States.

United Kingdom

50 Parliamentary control is generally similar, at least in form, to that applied in Canada. Unlike Canadian procedures, no new proposals may be submitted by any minister to the Cabinet until the financial implications have been reviewed by the Treasury. The Treasury, while maintaining some day-to-day control over expenditures, delegates to each department's accounting officer authority to incur expenditures within the limits prescribed by Treasury regulation, relying on the post-audit by the Comptroller and Auditor General to reveal irregularities or over-expenditures. Other controls imposed by the Treasury are again somewhat similar to those of the Canadian Treasury Board.

51 Departmental responsibility and accountability rests with the accounting officer, usually the permanent head of the department. He is charged with the responsibility for ensuring that public funds entrusted to his care are properly safeguarded and spent only for the purpose intended by Parliament. If he is overruled at any time by his minister, it is his duty to place on record his objections to the proposed expenditures, but the expenditure is not held up. In Canada, if the Comptroller of the Treasury objects to an expendi-

ture, no payment is made unless the matter is referred to the Treasury Board, and the Comptroller's objection specifically overruled.

52 The role of the Paymaster General is to place at the disposal of departments, on advice of Treasury, the funds required to meet their expenditures. The departments disburse these funds within the authority of the parliamentary appropriation, and within the powers delegated by Treasury.

53 The Comptroller and Auditor General, responsible to and removable only by Parliament, examines and reports on expenditures of departments. He must satisfy himself that moneys are spent by departments in accordance with the purposes intended by Parliament. His reports are referred by Parliament to the Public Accounts Committee where an accounting officer must be prepared to defend his accounts, not only as to their propriety and regularity, but also on the grounds of sound and prudent administration.

54 The United Kingdom system of financial administration places primary responsibility and accountability with the permanent heads of departments. The Treasury is not burdened with the details of administration. Commitment control, if any, is exercised by departments, although Treasury approval must be obtained for forward commitments where substantial expenditures are spread over a period of years. Broadly speaking, control is decentralized, with certain checks and balances to ensure that parliamentary and Executive wishes are observed.

United States

55 The United States system of financial control has differences that reflect the basic dissimilarities in its form of government. Four organizational groups are involved in the expenditure process.

56 Each agency or department is responsi-

ble for formulating, presenting and justifying its estimates, and its management is held accountable for maintaining expenditures within the limits of appropriations and for certifying the legality of all payments. Such agencies are thus subjected to fewer external controls over the daily management of their affairs than is the case in Canada.

57 The Bureau of the Budget, with a staff of approximately 400, reports to the President, and is responsible for the preparation of the budget, improvement of government organization and management, legislative analysis and review, and co-ordination and improvement of federal statistics. The Bureau is similar to the Canadian Treasury Board in its role of reviewing departmental estimates. However, in Canada, the Estimates presented by the Executive to Parliament are seldom changed, and then only with Executive concurrence; whereas, in the United States, Congress may and does alter substantially the amounts and the wording of appropriations, often after hearing testimony from agency and Bureau personnel. The Bureau exercises no detailed control over expenditures, once the budgets are approved.

58 The Comptroller General, appointed for fifteen years and not thereafter eligible for appointment to any public position, is responsible to Congress for independently auditing receipts and expenditures, and assisting in the establishment of accounting systems based on recognized accounting principles. The work is carried out by the General Accounting Office, which reports to him and employs a staff of approximately 5,000. This Office, at the request of the heads of departments and agencies, and of disbursing and certifying officers, renders decisions on the legality of proposed payments or transactions. Such decisions are binding on the Executive.

59 The Bureau of Accounts, a branch of the United States Treasury Department, maintains the control accounts of the government for assets, liabilities, expenditures and receipts; produces reports for the information of the President, the Congress and the public, designed to reflect the results of the financial operations of the government; and issues cheques for most government agencies through a number of field disbursing offices. Detailed accounting records, however, are maintained by the agencies themselves.

2

EXPENDITURE CONTROL

INTRODUCTION

1 The implementation of most government policies requires expenditure of money. The broad nature of these expenditures can be seen from the following analysis of the Main Estimates for 1961-62:

Table 5 — ANALYSIS OF MAIN ESTIMATES, 1961-62

	Amount (\$ thousands)	% of Total
Administration	439,954	6.4
Operation and Maintenance	1,835,417	26.8
Capital	675,791	9.9
Grants, Subsidies, etc.	1,346,125	19.7
Pensions, Welfare, etc.*	1,409,497	20.6
Cost of Borrowings	773,124	11.3
Loans, Investments, Advances	107,188	1.6
Other	250,420	3.7
Total	6,837,516	100.0

*Includes expenditures from the Old Age Security Fund of \$606,570,000.

2 The managements of all departments and agencies are deeply involved in spending funds in many of these categories, particularly expenditures on administration, operation and

maintenance, and capital. The Executive, through the Treasury Board, is vitally concerned with controlling expenditures in order to ensure that the government's objectives are achieved.

3 Chart 5 illustrates chronologically the sequence of activities making up the expenditure process. Chart 6 shows the allocation of responsibilities for the various functions forming part of the process.

4 Four basic problems have to be weighed in considering the effectiveness with which the present process operates. First, does the management of departments have adequate authority to carry out its responsibilities? Second, is departmental management held accountable for performance? Third, does the Executive provide adequate directions to departments, without imposing controls which detract from effective management? Finally, within those areas of responsibility assigned to departments, is financial management effective? A detailed description and analysis of the expenditure process is required in order to determine the answer to these questions.

Chart 5—CHRONOLOGY OF ESTIMATES AND EXPENDITURES COVERING ONE FISCAL YEAR

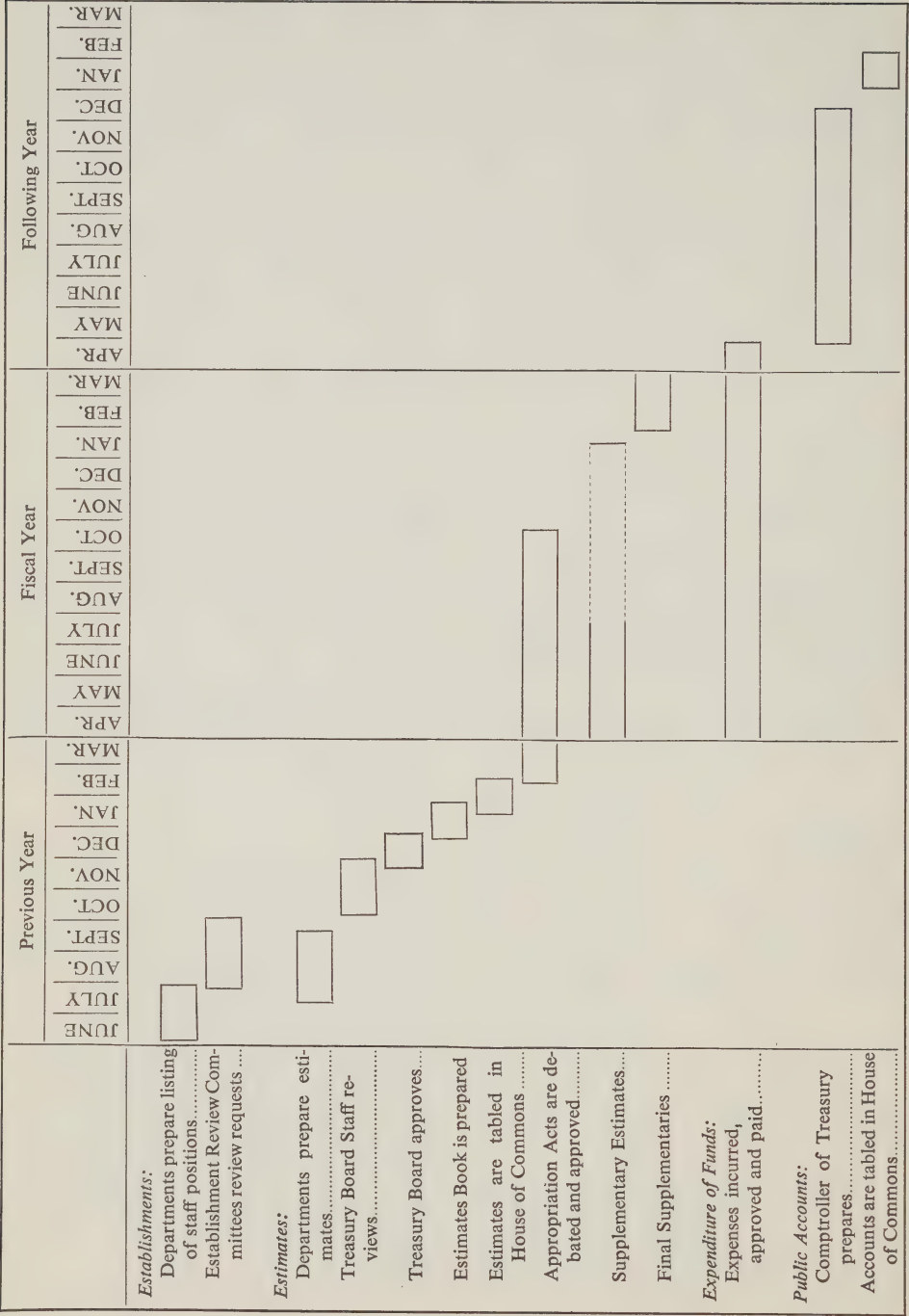
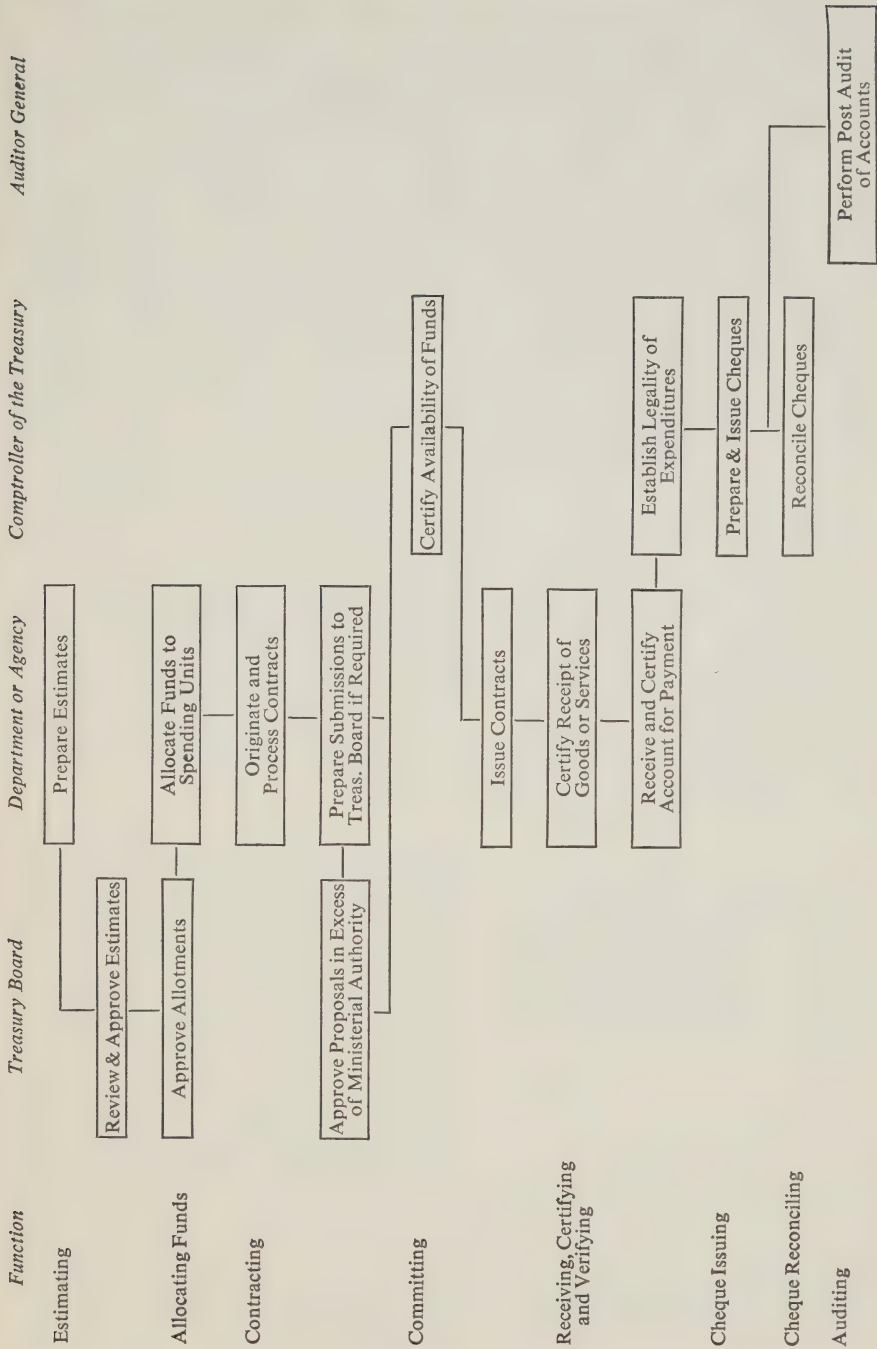


Chart 6—SUMMARY OF THE EXPENDITURE PROCESS IN GOVERNMENT



ESTIMATING

5 The annual Estimates book is the fundamental planning document of government, and its preparation is the first step in the expenditure process. The Financial Administration Act states that:

25. All estimates of expenditures submitted to Parliament shall be for the services coming in course of payment during the fiscal year.
35. The balance of an appropriation granted for a fiscal year that remains unexpended at the end of the fiscal year shall lapse, except that during the thirty days immediately following the end of the fiscal year a payment may be made under the appropriation for the purpose of discharging a debt payable
- (a) during or prior to the fiscal year, or
- (b) during the said thirty days for goods received or services rendered prior to the end of the fiscal year,
- and such payment may be charged in the accounts for the fiscal year.

The Main Estimates contain all known programmes at the start of the year for which funds must be voted and also the financial requirements for continuing programmes authorized by statute. During the course of the fiscal year, Supplementary Estimates are prepared to provide for those financial requirements that were unforeseen when the Main Estimates were presented in the House of Commons.

6 Main, Supplementary and Final Supplementary Estimates, during the period 1951-52 to 1961-62, excluding non-budgetary loans, investments and advances, and expenditures for the Old Age Security Fund, may be tabulated as in Table 6.

Departmental Organization for Preparing Estimates

7 The responsibility for preparing Estimates varies among departments. Some departments assign the primary responsibility for co-ordinating the Estimates to a senior financial or administrative officer. In other departments, responsibility is split among personnel

Table 6 — CLASSIFICATION OF ESTIMATES

Year	Main Estimates	Supple- mentary Estimates	Final Supple- mentary Estimates	Total
(\$ thousands)				
1951-52	3,586.9	143.7	201.8	3,932.4
1952-53	4,298.6	77.2	74.1	4,449.9
1953-54	4,404.3	29.1	96.4	4,529.8
1954-55	4,491.8	22.0	50.8	4,564.6
1955-56	4,360.2	114.1	22.3	4,496.6
1956-57	4,526.1	153.5	89.8	4,769.4
1957-58	*4,827.6	145.3	187.6	5,160.5
1958-59	5,178.8	144.8	282.8	5,606.4
1959-60	5,595.9	86.1	116.8	5,798.8
1960-61	5,732.2	169.9	178.2	6,080.3
1961-62	6,123.8	355.8	122.8	6,602.4

*Includes portion authorized by warrants approved by the Governor General.

at various levels of management, some of whom are relatively junior. Because of the vital importance of the Estimates, it is essential that the senior financial officer of every department be made responsible, not only for co-ordination and efficient preparation, but for development of improved estimating techniques.

8 Generally, operating and maintenance activities are first computed by line personnel in the field, and administrative and capital requirements by personnel at headquarters. However, cases were noted where departmental personnel, responsible for carrying out a programme and spending the funds, did not participate in the preparation of the Estimates. Two departments with extensive operations throughout Canada, including many remote locations, until recently prepared most of their Estimates with only limited participation by field personnel. The reluctance of these departments to delegate responsibility to field personnel apparently stemmed from a fear that over-estimating would result, since each officer would probably include a safety margin for contingen-

Exhibit 1 — ESTABLISHMENT SUBMISSION

Transport Canal Services—Operation and Maintenance

<i>Canal</i>	<i>New Year Proposed</i>	<i>Current Year Approved</i>	<i>Change</i>	<i>Strength</i>
Technical Officer.....	1	1	0	
Canal Maintenance Superintendent..	2	2	0	
Maintenance Superintendent.....	0	1	-1	
Bridgemaster	7	7	0	

Canalman.....	21	20	1	
Canal Craftsman.....	3	0	3	
Technician.....	0	3	-3	
	138	128	10	120

General: Net change in numbers = 10

A Canalman is required to help speed up passage of ships through the Canal. Present rate of passage does not create bottlenecks, but strong representation has been made for a speed-up in the rate of passage by the ship owners.

cies. In fact, when greater field participation was permitted, there was a reduction in the portion of their Estimates which remained unspent at the year-end. A budget is an invaluable means of directing and controlling operations. Maximum benefits can only be obtained if all levels of management are involved in the preparation of Estimates. Field management and junior levels of management at headquarters should prepare the details according to broad objectives and procedures established at top levels in the departments.

Establishments

9 A listing of staff positions, termed "establishments", is considered in advance of the

remainder of the Estimates. For each vote involving personnel expenditures, departments estimate the number of personnel required in each classification for the new year. The positions which were approved for the current year, the number of staff on strength at a recent date, and the reasons for proposed changes, are submitted in support of the Estimates.

10 For example, the establishment requirements for the operation and maintenance of a canal might be submitted as in Exhibit 1.

11 All establishment submissions are summarized by the staff of the Treasury Board, and a goal is set by the Board before reviews

are commenced. A target is established for each department prior to the review of the proposed establishment by an Establishment Review Committee. These Committees are chaired by a representative of the Civil Service Commission, with representatives of the department and of a Programme Analysis Division of the Treasury Board staff. A member of the Personnel Policy Division of the Treasury Board staff may also participate as an observer.

12 Normally, the Committee reviews are completed by September 15th, and within the following two weeks the reports are considered by the Civil Service Commission and forwarded to the departments. In this way, there is sufficient time for decisions to be incorporated into the later Estimates submission to the Treasury Board.

13 Generally, this review results only in small reductions compared with the number of positions requested. The targets given to the Treasury Board staff are usually expressed in absolute numbers, and a department forced to make a decision to come within the target usually chooses to retain the more expensive or senior position and drop the necessary supporting staff. Positions approved in previous years that have become redundant are seldom voluntarily omitted from the establishment proposed by the department; this practice provides a safety factor for arbitrary reductions or later increases in workload. Since the emphasis is placed on the increase rather than the total staff requirement, too often it is assumed that positions approved in the previous year are still needed.

14 Salary and wage costs should not be considered in isolation from other costs, since these often vary directly with the number and quality of the employees available for all activities. Scientific departments, in particular, state that their ability to undertake or expand programmes depends on the number of scientists authorized in this review.

Because of the emphasis on the total number of employees, the Board often imposes arbitrary reductions without singling out the specific positions to be eliminated. Accordingly, certain departments state that they can accept no responsibility for adjusting the amounts of the other costs included in their Estimates which have been based on the establishment originally submitted. Sound planning and control require the consideration of all elements, particularly manpower, in programme budgeting. Discontinuance of the review of establishments would eliminate some of the detailed control now exercised by Treasury Board, and would improve budgeting by providing more time for the consideration of programmes on a comprehensive basis.

Preparation of Estimates

15 During the review of establishments, but as a separate activity, departments and agencies prepare the information which must be submitted to the Treasury Board to substantiate the balance of their financial requirements. Only continuing programmes approved in prior years and new programmes approved by the Treasury Board prior to the submission may be included. New programmes not previously approved must be held over for another year or for supplementary Estimates in the same year.

16 The form of the Estimates submission is set forth in a manual issued by the Treasury Board. Each vote must be detailed individually. The programmes to be undertaken as a charge to the vote are described, as are the personnel and other requirements to be employed in their performance, with reasons for any increase or decrease in the total amount requested. Departments are also required to submit comparisons of past years' expenditures, lapsing balances and income associated with the vote. Each object of expenditure making up the vote is detailed separately in a similar manner.

Review of Estimates

17 When the departmental Estimates are submitted to the staff of the Treasury Board, the appropriate officer of a Programmes Analysis Division reviews the details, and discussions take place with the senior departmental officers responsible for the Estimates. Some changes may be agreed on—items of disagreement are referred to higher Treasury Board and departmental personnel. Remaining differences are summarized, with both arguments being set forth for the Board's consideration. The ministerial head, supported by senior officials, usually attends the meeting of the Board at which the Estimates of his department are considered, and is generally heard before the final decisions are made.

18 Alterations are usually made at each review stage within the department and the Treasury Board. For example, the amounts of the RCAF Main Estimates for 1961-62 at the various stages were as in Table 7.

Table 7—RCAF MAIN ESTIMATES (1961-62)

	Operating and Maintenance	Capital	Total
	(\$ Millions)		
Original Estimate by Programme Administrators	535.0	301.1	836.1
RCAF final draft	529.7	260.1	789.8
Department submission to Treasury Board	536.9	242.3	779.2
Approved by Treasury Board	536.7	241.9	778.6

19 The alterations made at different stages in the review process follow no clear-cut pattern. The quality of reviews conducted within departments, and the confidence that the Treasury Board and its staff have in the individuals conducting these reviews, both appear to have an effect. Certain departments state that they rarely have cuts imposed on them; others that, although reductions are made by the Treasury Board, programmes have seldom had to be dropped. This indicates in the latter case that, in the review at

the departmental level, safety margins were left to absorb such reductions. Certain departments have found that standards developed to justify their Estimates are not accepted by the Board's staff, and that they are subjected to the same arbitrary cuts as departments without standards. One department, which has developed priorities for a number of years, only recently communicated these priorities to the Board's staff. The department apparently feared that the Board's staff would use these priorities to eliminate all low priority projects. This resulted in waste, because projects in a poor state of preparation were often left in and carefully prepared projects deleted.

20 In summary, the review of the Estimates depends for its effectiveness on close co-operation between departmental and Treasury Board staff. The present review is excessively detailed in relation to the control exercised and the results achieved. The review is a highly subjective process both at the senior level in departments and at the Treasury Board level, because the only objective standards used are historical. The Estimates must originate with personnel spending the funds and be tested against standards properly developed. Departmental personnel should develop standards appropriate for their operations; Treasury Board staff should set standards for common application. Both groups should continuously subject the established standards to further review and refinement. The Estimates are of fundamental importance to the efficient management of government. Most of the time and effort going into other controls and checks would be unnecessary if the original estimating process were conducted more effectively.

Long-Term Planning

21 One other aspect of Estimates preparation which requires consideration is the use of long-term plans in the formulation of annual Estimates.

22 In this respect, the Department of National Defence leads other departments surveyed. The programmes of all Services are assembled into a plan covering the current and three succeeding fiscal years. When a new programme is proposed, usually by an operating division of the Services, it is reviewed within the Service concerned by its Chief of Staff, and then by the Joint Chiefs of Staff. Approval in principle may be given at this point or, if the programme is of major importance or has political significance, approval of the Defence Committee of Cabinet may be sought. These programmes are then included in the forward planning document, together with remaining portions of other current programmes.

23 Efforts are made to assemble total programme costs in this document. For example, capital, personnel, operating and maintenance costs are estimated for current and future years by each programme. The forward planning document is first reviewed by the Chiefs of Staff Committee, and then presented to the Minister for his agreement. The Minister consults the Cabinet to ascertain how the forecast relates to the likely financial position of the country in the forthcoming year. After this preliminary review the Minister informs the Deputy Minister, in broad terms, what the defence budget should be for each Service.

24 These figures become target ceilings and are communicated to the Services. If amounts requested in the detailed Estimates which follow are in excess of these ceilings, the Service can attempt to substantiate its request but must indicate what will be given up, if necessary, to come below the ceiling.

25 In the Department of Public Works, long-range financial planning is carried out more informally. In certain instances, plans for future capital expenditures are prepared in detail but, generally speaking, these plans are not prepared or reviewed on a formal

basis. The only long-range programme which appears to be planned in the Department is a ten-year construction programme for the City of Ottawa. This programme is submitted to the Secretary of the Treasury Board and covers the needs of government departments for new buildings over a ten-year period. It is detailed by department or agency, showing the location, size and estimated cost over the period, together with information on the buildings presently occupied by each of the departments or agencies concerned. There is little liaison with other government departments in this long-range planning. Assessment of departmental priorities is left to the Treasury Board staff. Since a substantial portion of the total expenditure on buildings is on account of other government departments, the Department of Public Works should be more adequately informed of possible changes in their activities.

26 Certain other departments plan for several years ahead, but not to the same extent as in the Department of National Defence. The primary purpose of the planning is to establish priorities for major capital projects. In most departments, the number of capital projects "on the books" is substantially greater than the financial resources in sight. As a result, such projects must be reviewed continuously in order to determine which should be included in the Estimates for the forthcoming fiscal year. Certain scientific departments have long-term plans for expansion based on the anticipated availability of suitable personnel, but these are expressed in terms of personnel only.

27 More formal plans, for which departments would be held accountable, might lead them to place greater emphasis on the accuracy of their forecasts. The wide variance between the original estimate and the actual cost of major construction projects, such as the Printing Bureau and the air terminal at Dorval Airport, are well known and require no further mention.

28 Formal long-term plans do not exist for non-capital types of expenditures, such as administration, operation and maintenance. Consideration of money, manpower and other requirements is done on a year-to-year basis when the Estimates are processed. This lack of long-term planning of all aspects of a programme produces the possible situation where capital or equipment facilities may be provided, but the personnel and other operating requirements are not available to use these facilities. Such planning has been found to be essential in industry and commerce, and is required to no less extent by both the Executive and the individual departments in government.

29. At the commencement of each fiscal year or at such other times as the Treasury Board may direct, the deputy head or other officer charged with the administration of a service for which there is an appropriation by Parliament or an item included in the estimates then before the House of Commons, shall prepare and submit to the Treasury Board through the Comptroller, a division of such an appropriation or item into allotments in the form detailed in the estimates submitted to Parliament for such appropriation or item, or in such other form as the Board may prescribe, and when approved by the Board the allotments shall not be varied or amended without the approval of the Board, and the expenditures charged to the appropriation shall be limited to the amounts of such allotments.

Exhibit 2—ILLUSTRATION OF VOTE WORDING

ALLOCATION OF FUNDS

29 The primary financial control in government operates through the allocation of funds. Parliament allocates in the broadest sense by establishing the limit of the vote; Treasury Board approves subdivisions of votes, called allotments; and senior departmental management apportions these amounts to lower or operating levels of management by establishing further subdivisions within each allotment, called sub-allotments.

Vote No.	Vote Definition	Amount
1	Departmental Administration including National Coordinating Committee on Agricultural Services.....	\$1,044,000
55	Fruit and Vegetable Division including Maple Products and Honey—Operation and Maintenance.....	1,858,000
70	Health of Animals Division—Construction or Acquisition of Buildings, Works, Lands and Equipment.....	276,200
90	Grants to Agricultural Fairs, Exhibitions and Museums in accordance with regulations of the Governor in Council; payments pursuant to agreements in force on March 31st, 1962, with Exhibitions covering the construction of buildings and other major undertakings; and a grant of \$50,000 to the Royal Agricultural Winter Fair, Toronto, and Freight Assistance on Livestock Shipments for exhibition thereat.....	981,600

Parliament's Allocation

30 The nature of parliamentary allocation can be seen from a few examples taken from the 1962-63 Estimates of the Department of Agriculture (see Exhibit 2.). Departmental expenditures must not exceed these votes. If additional funds are required, supplementary Estimates must be presented to Parliament and the additional funds provided by another vote.

32 Generally, allotments are based on the details set forth in the Estimates, known as standard objects of expenditure. Increasingly, however, departments have been permitted to control votes on a basis (other than standard objects) that more closely corresponds with operating responsibilities. The 1962-63 Esti-

Treasury Board's Allocation

31 The Treasury Board control is governed by the Financial Administration Act, which specifies that:

mates clearly indicate two alternatives, using as an example vote 25, Department of Northern Affairs and National Resources, "National Parks and Historic Sites and Monuments—Administration, Operation and Maintenance". First, is the presentation of the Estimates, using standard objects of expenditure (see Exhibit 3):

In the details of the Estimates the same expenditures were also presented in a much more informative manner by programmes (see Exhibit 4):

The department was allowed to control this vote on the programme basis shown in Exhibit 4.

33 In a financial sense, a programme is the total of anticipated expenditures encompassing a function, activity or project to be undertaken. In determining what should constitute a programme, recognition must be given to the assignment of responsibility within the organization, to compatibility with planned objectives and, where possible, to the means of measuring physical performance.

34 The fact that a number of departments, at the beginning of the year, rearrange their Estimates from standard objects to programmes demonstrates a recognition of the need for an improved basis of financial control. Programme-based budgets facilitate manage-

Exhibit 3—ILLUSTRATION OF STANDARD OBJECTS OF EXPENDITURE

	1962-63	1961-62
Salaries and Wages.....(1)	6,343,038	5,891,907
Overtime.....(1)	133,453	128,496
Allowances.....(2)	14,895	16,580
Professional and Special Services.....(4)	121,330	78,982
Travelling and Removal Expenses.....(5)	103,883	82,478
Freight, Express and Cartage.....(6)	27,809	25,499
Postage.....(7)	9,080	7,880
Telephones and Telegrams.....(8)	39,753	33,966
Publication of Departmental Reports and Other Material.....(9)	53,040	49,890
Exhibits, Advertising, Films, Broadcasting and Displays.....(10)	18,400	13,800
Office Stationery, Supplies and Equipment.....(11)	61,275	60,184
Materials and Supplies.....(12)	629,908	602,346
Repairs and Upkeep of Buildings and Works.....(14)	242,718	242,718
Repairs and Upkeep of Roads, Bridges, Streets, Sidewalks and Trails.....(14)	293,282	295,228
Rental of Land, Buildings and Works.....(15)	1,482	2,008
Repairs and Upkeep of Equipment.....(17)	482,204	468,439
Rental of Equipment.....(18)	2,300	
Municipal or Public Utility Services.....(19)	172,484	135,498
Payments to individuals or groups in respect to Agreements entered into by the Minister pursuant to the Historic Sites and Monuments Act for the preservation and commemoration of Historic Sites.....(20)	106,000	49,000
Unemployment Insurance Contributions.....(21)	40,474	31,310
Sundries.....(22)	34,592	32,705
	<u>\$8,931,400</u>	<u>\$8,248,914</u>

ment reporting by units of responsibility, related to performance targets.

35 This concept applies equally well to votes for administration, for operation and maintenance, and for capital. There is no vote that cannot be adapted to this manner of presentation. Allotments for administrative votes should be broken down on the basis of the organizational units in the department. Operation and maintenance votes should be controlled by geographical regions or individual operational units. Capital votes should be controlled on the basis of projects.

36 Programme control will provide concise information on the total estimated cost of an activity and, when compared on a year-

to-year basis, will clearly show the increase or decrease in cost of the activity, and permit the costs to be related to benefits. Presenting programmes in the Estimates will highlight for Parliament the change in the cost of activities. Similarly, programmes properly related to activities will provide a better yardstick for assessing management within the department, and will enable Treasury Board to exercise more effective control over departmental expenditures.

37 The first and second Hoover Commissions recommended that the United States Budget be presented on a programme or performance basis rather than what was described as an outmoded object-of-expenditure classification. This recommendation was

Exhibit 4—ILLUSTRATION OF PROGRAMMES OF ACTIVITY

	1962-63	1961-62
Head Office.....	232,065	221,922
Education and Interpretive Service.....	77,560	70,300
Historic Sites.....	658,095	523,998
Engineering Services.....	697,045	650,024
Western Regional Office.....	31,360	29,696
Banff Park.....	1,854,545	1,803,344
Cape Breton Highlands Park.....	342,369	326,844
Elk Island Park.....	308,030	285,517
Fundy Park.....	244,194	233,546
Fortress of Louisbourg Restoration Program.....	137,510	
Georgian Bay Islands Park.....	53,117	53,122
Jasper Park.....	999,321	982,020
Kootenay Park.....	491,531	471,512
Mount Revelstoke and Glacier Parks.....	386,028	320,282
Point Pelee Park.....	110,541	103,350
Prince Albert Park.....	517,334	495,995
Prince Edward Island Park.....	193,088	166,609
Riding Mountain Park.....	531,080	498,605
St. Lawrence Islands Park.....	64,025	60,858
Terra Nova Park.....	210,476	197,309
Waterton Lakes Park.....	371,717	357,682
Yoho Park.....	420,369	396,379
	<u>\$8,931,400</u>	<u>\$8,248,914</u>

adopted, and all appropriations presented to Congress are now supported by details of programmes with standard object information of secondary importance.

Transfers between Allotments

38 Currently, there are approximately 1,400 submissions each year to the Treasury Board requesting transfers between allotments. Departments include in each submission a full explanation of the need for the transfer. If funds are controlled on a programme basis, the transfer is between programmes, if on a standard object basis, the transfer is between standard objects. Submissions usually are processed by the Treasury Board staff in a routine manner. Most are made in the last quarter of the fiscal year, as outlined in the following tabulation which classifies all submissions for transfers between allotments for the 1959-60 fiscal year:

Table 8—CLASSIFICATION OF TRANSFERS BETWEEN ALLOTMENTS

\$ Value	QUARTERS				
	First	Second	Third	Fourth	Total
Authority only	7	18	12	6	43
Under \$25	1	—	—	2	3
\$25 to \$100	—	4	5	19	28
\$101 to \$ 1,000	11	22	36	118	187
\$1,001 to \$ 5,000	15	30	71	160	276
\$5,001 to \$10,000	6	18	38	93	155
\$10,000 to \$25,000	19	38	49	107	213
Over \$25,000	67	83	109	199	458
Total	126	213	320	704	1363
% of Total	9.3	15.6	23.5	51.6	100.0

Departmental Allocation

39 Departments, in turn, control funds by apportioning to various spending units the allotments on which they are controlled. These sub-allotments cannot be exceeded without the approval of higher management within the department. The extent of allocation varies from department to department, and may also vary within a department.

40 For example, in the Department of National Defence, individual Services assign different proportions of their funds from headquarters to operating commands and laboratories. The portion so allocated in 1961-62 can be seen from the following percentages:

Table 9—ALLOCATION OF FUNDS OUTSIDE HEADQUARTERS (by percentages)

	Operation and Maintenance Votes	Capital Votes	All Votes
Army	49.6	1.9	34.2
Navy	20.2	1.1	9.0
Air Force	5.2	.5	3.0
Defence Research Board	73.3	48.0	67.2

41 The Royal Canadian Mounted Police controls its funds by operating divisions; however, headquarters restricts the spending authority of the divisions by requiring that certain types of expenditures be made out of imprest funds. An imprest fund is a means of delegating spending authority, the custodian of such a fund being given a fixed amount of money which he may spend without higher authority. The approval of a higher authority is only required when vouchers substantiating expenditures are submitted to headquarters in order to obtain replenishment of the moneys in the fund. The size of the fund, therefore, determines the extent of the spending authority that has in fact been delegated. Since the size of the fund is adequate for only ten days in the Royal Canadian Mounted Police, the spending activities of divisions remain closely controlled from headquarters.

42 The Department of Mines and Technical Surveys controls its funds in two ways. A portion of most votes is allocated to survey parties, the parties being responsible only for the total allocated, not for individual objects of expenditure. The balance is controlled from headquarters on the usual standard objects-of-expenditure basis.

43 Most departments surveyed make only a limited allocation of funds to regional or lower levels of management. Even where funds are apportioned, numerous restrictions are generally placed on the authority to spend without reference to headquarters. Treasury Board control on the standard objects-of-expenditure basis does hinder such delegation, since it produces a large number of categories of relatively small dollar value. Nevertheless, most departments that have taken the initiative have been permitted to control expenditures on a programme basis, over 180 votes now being controlled in this way.

44 Unimaginative division of a department's activities into too many votes can also hamper effective allocation of funds. For example, the 51 votes appearing under Transport in the 1960-61 Estimates could be rearranged and expenditures more readily controlled were they reduced to 18, as shown in Table 10:

Table 10 — PROPOSED CONSOLIDATION —
TRANSPORT

	<i>Number of Votes</i>	
	<i>Present</i>	<i>Revised</i>
Departmental Administration	1	1
Marine Services	11	4
Railway and Steamship Services	12	2
Pensions and other benefits	3	—
Air Services	17	4
	—	—
Total for Department	44	11
Air Transport Board	1	1
Board of Transport Commissioners	2	2
Canadian Maritime Commission	2	2
National Harbours Board	1	1
St. Lawrence Seaway Authority	1	1
	—	—
	51	18
	==	==

45 Each vote in the suggested revision is designed to permit control to be exercised by programmes, not by standard objects. For example, the new vote for Marine Services, Administration, would be classified under eight programmes as follows:

Table 11 — PROGRAMMES OF ACTIVITY WITHIN
ONE VOTE

<i>Vote Description:</i>	
Marine Services — Administration	\$1,972,787
(Salaries and other administrative costs of the headquarters establishments and offices outside Ottawa)	
<i>Programmes of Activity</i>	
Marine Services Administration	\$ 125,723
Aids to Navigation	215,371
Canals	137,944
Ship Channels	236,677
Canadian Marine Service	613,551
Marine Regulations: Montreal	287,051
Pilotage	88,134
Steamship Inspection	268,336
	<u>\$1,972,787</u>

46 For departmental purposes, these programmes could be further broken down into operating units within each activity. Votes in other departments could be similarly consolidated, thereby making the definition, planning and control of programmes more effective.

47 Investigations indicated a very limited willingness in departments to delegate authority, although a marked improvement in practices in recent years was noted. Just as operating personnel must participate in the preparation of Estimates under the general direction of senior departmental management, so funds should be delegated to lower levels of management to be spent within guide-lines established at the top.

CONTRACTS

Division of Authority

48 The expenditure of funds normally originates with departmental personnel who determine the need for goods and services, and establish the specifications required. A large portion of the value of all government expenditures is for goods and services acquired under contracts which must comply with the Government Contracts Regulations established by Order in Council in December, 1954. These Regulations prescribe tendering procedures, contractual authority levels, and bonding or security deposit requirements. Contracts for the construction of buildings and works are classified in the Regulations as "Construction"; contracts for the purchase of articles, commodities, equipment, goods, materials, printing and reproduction work as "Purchase"; contracts for the furnishing or performance of services of any kind as "Service"; and contracts for leasing of space and facilities as "Lease". Whenever a contract exceeds the limit of a minister's authority, the consent of the Treasury Board is required. The maximum authority given to the minister of a department under these Regulations is \$50,000 for Construction, \$25,000 for Purchase, \$15,000 for Service, and \$5,000 for Lease. Certain contracts, even within these limits, must be reported monthly to the Treasury Board.

49 The Department of Defence Production, under the provisions of the Defence Production Act, has exclusive authority to procure the goods and services required by the Department of National Defence. This Act also establishes ministerial limits that differ from those outlined in the Government Contracts Regulations, but do not exceed \$50,000.

50 The Regulations have not been changed since 1954, although the volume and cost of individual construction and purchase contracts have increased significantly. For example, the following table compares the number

of construction projects carried out by the Department of Transport (a major department in this field) in various dollar value categories:

Table 12 — CLASSIFICATION OF CONTRACTS BY DOLLAR VALUE

<i>Dollar Category</i>	<i>1952-53</i>	<i>1959-60</i>
\$ 15,000—\$ 50,000	93	280
\$ 50,001—\$100,000	25	84
\$100,001—\$200,000	9	52
	—	—
	127	416
	==	==

Treasury Board Approval of Contracts

51 The departments are required to prepare in detail a submission to the Treasury Board for each contract in excess of delegated authority. The related expenditure programmes generally will have been considered by the Treasury Board before receipt of the contract submissions. Some proposals will have received prior approval in principle. With few exceptions, financial provisions will have been included in the Estimates previously reviewed and approved by the Treasury Board. As a result, many of these submissions are processed in a routine manner by the Treasury Board.

52 Many instances were noted where the Treasury Board staff became involved in details when reviewing departmental requests for technical equipment. The Treasury Board staff approach these matters as intelligent laymen, but their vigorous questioning of technical matters is frustrating to the departmental technical and professional personnel who have been responsible for developing the specifications and negotiating the contract. It is incongruous to expect Treasury Board staff, with limited background, to evaluate effectively the need for, and reasonableness of, most items purchased under contracts. In addition, it must be realized that large-volume contracting departments, such as Public Works, Transport and Defence

Production, employ many specialists to deal with matters of a highly technical nature.

53 Currently, thirty-five per cent of the total submissions to the Board are in the categories of buildings, land and works; acquisition of ships, aircraft and supply of equipment; provision of supplies; and acquisition and provision of services. The following table lists the number of such submissions (normally involving contracts) for each year 1953 to 1960 inclusive:

Table 13—GROWTH IN NUMBER OF SUBMISSIONS NORMALLY INVOLVING CONTRACTS

<i>Year</i>	<i>Number of Submissions</i>
1953	4431
1954	4612
1955	4443
1956	4744
1957	4826
1958	5252
1959	5517
1960	5662

54 Unless contractual authority is increased to meet the increasing value of individual contracts, the Treasury Board is, in effect, involved in reviewing more contracts proportionately than at the time the present Contract Regulations were established. A reduction in the number of contract submissions will have the effect of transferring greater authority to departmental management; will save considerable time on the part of departmental personnel in preparing Treasury Board submissions; and will permit Treasury Board to devote more time to reviewing departmental programmes and submissions in principle.

55 Clearly, there must be adequate safeguards against the intrusion of patronage considerations in the letting of contracts. The first line of defence in this context is the adoption of appropriate contracting procedures by the departments. The concern of the Treasury Board then becomes not so much the as-

essment of thousands of submissions, which must in many instances be quite perfunctory, but a selective examination of those contracts which do not conform with the procedural standards laid down by the Board.

56 The basic considerations which should be taken into account, if the present Treasury Board Contract Regulations are revised, include the following:

- The experience of departments in negotiating contracts:—Major contracting departments are more likely to be strongly staffed with specialists, such as architects, engineers and contract negotiators.
- The average value of contracts for each department:—If ministerial limits are related to the average value of individual contracts issued by a department, each minister would then have authority over a comparable portion of the contracts issued within his department.
- The extent of prior approval:—Funds are provided for most contractual expenditures in the Estimates. Estimates are subjected to detailed review. Items that receive cursory treatment in this review could be made specifically subject to further referral to the Board, instead of blanket dollar limits applying equally to all expenditures.
- The form of the contract and contractual procedures:—The present Regulations set forth in considerable detail the rules which must be complied with in order to enter into a contract. Where certain procedures are not complied with, the present Regulations quite properly restrict the authority of the minister to enter into contracts. Nevertheless, even where adequate procedures have been followed, the additional authority now given to the minister is insufficient.
- The volume of contractual purchases for identical goods or materials:—Increased ministerial authority could be given for purchases acquired on a repetitive basis.

57 Even within present ministerial limits, inadequate and inconsistent delegation of contracting authority within departments has been discovered. For example, assistant deputy ministers are given authority to enter into construction contracts for previously approved headquarters projects up to \$15,000 in the Department of Public Works, and up to \$50,000 in the Departments of Northern Affairs and National Resources and of Transport. At the branch head level, authority is \$8,000 in Public Works, \$15,000 in Northern Affairs and National Resources, and \$50,000 in Transport.

58 Levels of authority for contracts categorized as purchases vary widely. Assistant deputy ministers have authority up to \$25,000 in Transport, \$15,000 in Public Works, and \$5,000 in Trade and Commerce and Veterans Affairs. Levels of authority for district or field representatives also vary—up to \$10,000 in Defence Production, \$1,500 in Public Works, and only \$200 in Veterans Affairs.

59 It is reasonable that the levels of authority should differ within departments, since some are more actively involved than others in contracting. However, the existing variations show that greater delegation of authority to field management is possible and should be encouraged, so as to conserve the time of headquarters officials and to place responsibility on the officer who has full knowledge of the requirement.

COMMITMENT CONTROL

60 The system of centralized commitment control, established in 1931 to ensure that funds were not overspent, was made the responsibility of the Comptroller of the Treasury. Today, many departments also maintain commitment records.

61 At the beginning of the fiscal year, as soon as the department's votes are approved by Parliament, the Treasury office attached to each department forwards to the Treasury Board a breakdown of each vote; these are known as allotments. The divisions requested by the department usually conform with the standard objects of expenditure set forth in the details of the Estimates, but authority may be given to apportion funds by programmes of activity. Accounts are then set up in the books for the divisions of the vote approved by the Treasury Board. Further subdivisions may be made to meet departmental requirements. The amount approved and available for expenditure is then entered in each account.

62 When contracts are submitted to the Treasury office for certification that funds are available, the amount of the contract is deducted from the balance authorized for the appropriate account, and the amount is recorded as an outstanding commitment chargeable to that account. When the liability is subsequently discharged, the amount is deducted from the outstanding commitment and entered as an expenditure. In this manner, the Comptroller maintains running balances for each allotment, showing the uncommitted balance, the portion committed but unspent, and the expenditures to date. He thereby ensures that no contract will be entered into for which sufficient funds are not available in the account properly chargeable. Whenever charges exceed the amount approved for an allotment, only the Treasury Board may authorize a transfer of funds from an allotment with a free balance, and then only if it is under the same vote. Upon receipt of the Treasury Board Minute approving the transfer, the Comptroller increases the amount of one allotment and decreases the other. This unique system of commitment accounting is an integral part of the accounting system of the Government of Canada.

Table 14—FORM OF COMMITMENT

STANDARD OBJECT	DESCRIPTION	FORM OF COMMITMENT		
		<i>Specific</i>	<i>Blanket</i>	<i>Both</i>
1	Civil Salaries and Wages		x	
2	Civilian Allowances	x		
3	Pay and Allowances, Defence Forces and R. C. M. Police		x	
4	Professional and Special Services		x	
5	Travelling and Removal Expenses		x	
6	Freight, Express and Cartage		x	
7	Postage		x	
8	Telephones, Telegrams and Other Communication Services		x	
9	Publication of Departmental Reports and Other Material	x		
10	Exhibits, Advertising, Films, Broadcasting and Displays	x		
11	Office Stationery, Supplies, Equipment and Furnishings		x	
12	Materials and Supplies Buildings and Works, including Land—			x
13	Construction or Acquisition	x		
14	Repairs and Upkeep			x
15	Rentals Equipment—	x		
16	Construction or Acquisition	x		
17	Repairs and Upkeep			x
18	Rentals	x		
19	Municipal or Public Utility Services		x	
20	Contributions, Grants, Subsidies, etc., Not Included Elsewhere	x		
21	Pensions, Superannuation and other Benefits	x		
22	All other expenditures, (other than Special Categories)	x		

63 It is difficult, if not impossible, for the Comptroller to commit all proposed expenditures in the above manner. No useful purpose would be served, for example, in committing for salary obligations for each pay period. Similarly, government personnel are required to purchase materials and supplies in the field, which are often of an emergency nature and of low value. In such cases, rather than reserving funds for each expenditure individually, the total of the account is committed on a blanket basis. This has the effect of transferring responsibility for avoiding over-expenditures from the Treasury office to the department. Table 14 indicates, by standard objects, the methods of committing funds normally in use.

64 Within allotments, commitment control can take any form that is specified by the department. Commitments may be prepared on the basis of organizational units, programmes, districts, payment points, time periods and individual contracts or purchase orders. Normally the commitment structure corresponds with the formula used to allot funds to regional or other spending units.)

65 Adjustments to specific commitments are required when an account presented differs in amount from the original commitment; and when a blanket commitment would be over-expended if the account were passed for payment.

66 Under the present system, the Treasury office requires the department's approval in the case of an upward revision in the amount of a commitment. In some Treasury offices, departmental approval is also required for a reduction of a specific commitment. Adjustments of a major dollar amount usually need immediate departmental approval for the change, whereas adjustments of a minor nature are accumulated on a monthly basis and then approved.

Departmental Procedures

67 Many departments have found it necessary to institute their own commitment control records because they believe that, since departmental personnel are responsible for spending the funds, they should be continually aware of the position of their appropriations. Others state that their departments are so decentralized that Treasury offices are unable to provide this information speedily. Such reports as are prepared are inadequate because they fail to distinguish between specific and blanket commitments. One department claimed that it could not couple centralized purchasing with decentralization of spending authority unless it maintained commitment records on a more current basis than those kept by the Treasury.

68 Departmental procedures differ from those of the Treasury in several respects. Funds are normally committed at the time the goods are requisitioned rather than when the contract is in final form. Commitment records generally are kept at branch or operating levels to correspond with the delegation of spending authority within the department, although in some departments further duplication occurs at headquarters. Some departments use commitment records as a guide only, and do not attempt to adjust except when the contract deviates substantially from the requisition.

69 Industry does not practice commitment control in the manner described above. The majority of provincial governments in Canada do not have commitment control systems. Since the entry into commitments is based on the decision of their officers, departments should be responsible for ensuring the availability of funds to meet expenditures, rather than the Comptroller of the Treasury. The establishment of centralized commitment control in 1931 met a genuine need. However, the growth of expenditures and management responsibility over the 31-year period is such

that centralized commitment control is no longer practicable. Moreover, the Comptroller's representative in departments is not part of departmental management; therefore, commitment control performed by an external control agency weakens the efficient management of departmental affairs. Departmental management should be capable of discharging this responsibility, particularly if the recommendation for strengthening financial management in departments through the appointment of Senior Financial Officers is implemented.

70 Considerable clerical duplication now exists, and would be eliminated if departments assumed responsibility for ensuring availability of funds. Furthermore, the present integration of commitment control into the government accounting system results in substantial clerical effort to process large volumes of documents for relatively small amounts. A system of memorandum records for major specific commitments and an adequate monthly reporting system, showing the unspent balances in each allotment account, would result in simplification and would prove adequate for departmental control purposes. In addition, it would facilitate greater delegation of spending authority to operating levels of management. The present integration of commitment accounting into the formal accounting records of a department tends to restrict the extent of delegation feasible. Memorandum records can be designed so that they can be understood and kept by personnel with limited accounting knowledge. The formal accounting records require a higher degree of competence and centralization.

VERIFICATION AND APPROVAL OF EXPENDITURES

71 The verification and approval of accounts before payment is an essential procedure in both industry and government. In government language, the function of certifying accounts before payment is called pre-audit-

ing to distinguish it from the audit of accounts after payment, which is referred to as post-auditing.

Verification by the Comptroller of the Treasury

72 The Comptroller so interprets his statutory duties that he conducts a complete review and verification of every account before a cheque is issued. This review is primarily to determine the legality of expenditure. It involves ensuring that (a) the funds are available to meet the expenditure; (b) the contract was entered into with the proper approvals; (c) the payment is for goods or services falling within the terms of the vote as approved by Parliament; (d) the account is arithmetically correct and accurate as to detail; (e) the account is correctly coded for accounting purposes; (f) the goods or services received are in accordance with government and departmental regulations.

73 A clerical unit exists in every Treasury office to perform the above functions; in offices attached to departments in Ottawa, approximately 600 of a total staff of 1700 are involved in auditing accounts. The staff is divided into one or more units with separate responsibilities for contracts, agreements, suppliers' accounts, travel, removals, imprest accounts, or a combination of these basic types. It is their responsibility to review and process all documents presented for payment. They raise audit queries; conduct correspondence and discussions with departmental officials, other government departments and suppliers; liquidate, reconcile and balance commitment records. Much time and effort is devoted to the verification of travel and removal expenses by these units.

74 Observations are prepared on each account not deemed satisfactory for payment. These observations, with the accounts, are forwarded to departmental personnel for the correction of the account and subsequent re-

turn to the Treasury office. In every Treasury office surveyed, it was found that the accounts were reviewed in a detailed manner. No use was made of sampling techniques by account classifications, nor were accounts of different dollar value given different emphasis. Expenditures questioned ranged in value from a few cents to thousands of dollars. Departments complain that the review is largely mechanical, having little regard to the accompanying circumstances.

Duplication by Departments

75 The verification by the Comptroller of the Treasury is duplicated by departmental personnel to different degrees. In many departments, especially those with departmental accounting systems, a complete check and verification of the account is made. Duplication exists for a number of reasons. First, departments believe that they should certify the legality of expenditure of all accounts for which they have responsibility. Second, some departmental personnel believe that they should take pains to present a correct account to the Comptroller of the Treasury in order to obviate the need for re-processing accounts which may be rejected. Finally, some departments consider that they are more familiar with their own accounts and can perform the verification better than Treasury personnel.

76 Statutory requirements automatically cause duplication. The department that requests payment has to certify the correctness of price and satisfactory receipt of goods. Therefore, departmental personnel must look at all accounts and do some of the same basic work as the Treasury office. The 1931 legislation did not clearly define the area of departmental responsibility for certification, or the extent of the Comptroller's audit function. Moreover, the statute took effect at a time when all governments were particularly conscious of the need to curtail expenditures in every way possible. The consequence was that the Comptroller construed the parlia-

mentary direction to mean that he must make a detailed check on all departmental accounts, regardless of any verification done in the departments. The result is substantial duplication.

77 Present procedures, despite this duplication, are not necessarily effective, for little responsibility is placed on the operating personnel initiating most expenditures. Only these personnel are fully conversant with the circumstances leading to the expenditure and therefore aware of any matters not appearing in the documentation. Departmental purchasing and disbursing procedures should be so organized as to place primary responsibility for approving expenditures on operating personnel, subject to proper checks within the department by other personnel not directly involved in the expenditures. A proper system of internal control will ensure that unauthorized, improper, or incorrect disbursements are not made. Internal auditors, reporting directly and independently to senior departmental management, can confirm that such a system, once established, is operating correctly.

Regulations

78 When reviewing expenditures, the Treasury office staff verifies that expenditures conform, not only with statutes, but also with the numerous executive regulations in the form of Orders in Council or Treasury Board Minutes. Because the Comptroller will reject an expenditure if it is not adequately authorized, he is the cause of many such regulations. The Board issues these regulations in an attempt to reduce the workload arising from departmental requests for specific authority. Many such requests are initiated because the Comptroller has ruled existing authority to be inadequate.

79 Treasury Board regulations usually are developed by the staff of the Board and approved by the ministers. These regulations

cover a variety of administrative subjects as shown below:

Table 15—TREASURY BOARD REGULATIONS

Category	Number of Regulations
Estimates and Transfers between Allotments	1
Buildings, Land and Works	5
Acquisition and Construction of Ships, Aircraft and Supply of Equipment	5
Provision of Supplies	15
Acquisition and Provision of Services	19
Pension, Annuities and Compensation Plans	9
Internal Accounting and Administrative Procedures	19
Travel, Removal and Other Expenses of Employees	25
Claims by and against the Crown	13
Remissions and Refunds, Drawbacks and Regulations under Tax Acts	4
Personnel (Civil)	98
Payments of Grants and Subsidies	13
Social Security	1
	227

80 Treasury Board regulations are generally designed to assist in achieving economies in the public service. They do not always produce economies and, in fact, can contribute to inefficient administrative practices. Departmental personnel, often in the best position to judge the reasonableness of a payment, are not permitted to do so, and must comply with regulations or prepare submissions to the Treasury Board. The cost of compliance with Treasury Board regulations may often exceed the expenditure involved.

81 Treasury Board staff will serve the Board better if they develop criteria to assist departmental judgment, and regulations which are guides, not dictates, to departmental action. In this way, departments could operate within limits which best suit their indi-

vidual situations. The right of management to make decisions would be encouraged. In addition, Treasury Board would be freed of a large number of submissions of an operating and administrative type. Departments would then develop a better sense of responsibility and take the initiative in consulting the Treasury Board when the proper course of action is not apparent, rather than having fixed lines of action determined through restrictive regulations.

CHEQUE ISSUE AND RECONCILIATION

82 Since 1932, the Comptroller of the Treasury has been responsible for issuing and reconciling all cheques drawn on the account of the Receiver General. Cheques are presently issued from the 28 departmental Treasury offices, 8 regional offices, 52 district offices and centrally in Ottawa by the Central Accounts Payable Division. Over sixty million cheques are annually issued by the Comptroller. In a few cases, where large numbers of payments originate in many scattered local offices and no representative of the Comptroller of the Treasury is available, the Treasury Board permits payments to be made by warrants drawn on the Comptroller of the Treasury by designated departmental officers or other authorized persons.

83 Greater delegation of authority will result from transferring the commitment control and pre-audit functions of the Comptroller of the Treasury to departments, but centralized cheque issue does not in any way hamper departmental management in performing its functions efficiently. Scarcely any departments complain of the service now being provided, and the use of high speed data processing equipment would provide even better service.

84 Additional economies will result if regional offices are established in certain large centres outside Ottawa for the issue of cheques. The Comptroller now operates

offices in twenty-five centres in Canada, excluding Ottawa. This wide distribution of offices is considered necessary to enable the Comptroller to review expenditures and control the commitments of the various departmental field units, but cheques can be issued more expeditiously from fewer, more strategically located offices. The resulting increased volume will permit better use of mechanical equipment. In a few cases, it may continue to be expedient for the Treasury Board to permit departments to make disbursements in the form of warrants drawn against the Comptroller.

85 If departments assume responsibility for commitment control and verification of expenditures, the need for Treasury offices located in departments will disappear. The Central Accounts Payable Division could be expanded to handle all cheque issuing operations now performed by the various Ottawa offices of the Comptroller attached to departments. The United States Bureau of Accounts now provides centralized cheque issuing services, but its sole responsibility is to verify that the account bears the signature of an authorized signing officer. The Bureau has no responsibility for the legality or accuracy of the payment. A similar division of responsibilities is desirable in the Canadian Government.

AUDITING

86 All paid accounting vouchers are made available to the Auditor General's representative. His audit of the accounts is not as detailed as the verification procedures applied to expenditures before payment by the Comptroller of the Treasury. Substantial reliance is placed on the scrutiny of accounts to reveal improper or illegal expenditures, rather than on detailed checks to turn up mechanical inaccuracies. Certain departments indicated that they rely on the Auditor General's representative to interpret regulations so that

they will not inadvertently become subject to criticism in his report.

87 The Comptroller of the Treasury is now responsible for ensuring that expenditures are made in accordance with Statutes, Orders in Council, and Treasury Board and departmental regulations. Placing responsibility on departments for the examination and verification of accounts prior to expenditure will make the examination of the Auditor General the only non-departmental scrutiny of expenditures. Since the manner in which departments exercise this responsibility will depend to a large extent on the systems of internal check and internal audit which they establish, the Auditor General should become more active in reviewing such systems and reporting on those which are inadequate. This review, similar to that of professional auditors in commerce and industry, will be necessary if he is to fulfill his statutory responsibilities without undertaking expensive and time-consuming detailed audit checks on all expenditures.

88 The Executive should not rely exclusively on the Auditor General to point out inadequate financial control, but should fulfill its own responsibility by ensuring that departmental managers are exercising properly the extensive authority which will be placed on them if the recommendations of this report are adopted.

CONCLUSION

89 Although many of the procedures described in this chapter find their counterparts in the expenditure process in industry, there are significant differences. Industrial budgets tend to be goals rather than ceilings. Pur-

chasing procedures are less formal and provide for greater delegation of authority. Because the budget is more flexible, industry pays little attention to a formal accounting for cash commitments, although the cash flow is carefully watched. The verification before payment, although similar, seldom challenges the authority of the officer designated to approve the expenditure. Finally, management in industry generally has authority more commensurate with responsibility and is held more strictly accountable for performance.

90 Many illustrations have been given in this chapter of the inadequate authority that is given to departmental officers in the process of spending money. As a result, it is impossible to hold departments accountable for financial results. Many external controls detract from efficient management. Nevertheless, even within those areas where responsibility has been devolved by the Executive, departments have generally failed to delegate appropriate authority to lower levels of management, either in Ottawa or in the field. Recommendations contained in this report for increased delegation of authority to departments will not produce the maximum benefits unless the senior managers of departments, in turn, delegate the authority received. Both the Executive and senior departmental management should devote more time to giving directions and assessing performance, rather than to imposing restrictive controls which tend to immerse them in detail.

91 The checks, counter-checks, delays and duplication which abound in the expenditure process described in this chapter are far more restrictive than those applied in the revenue process, which is described in the next chapter.

3

REVENUE CONTROL

RESPONSIBILITY

1 Revenues arise mainly from taxes, and it is the Minister of Finance who initiates tax legislation. Officers of the Department of Finance consider alternative means of raising such revenue, review suggestions from the public for changes, estimate the impact of various alternatives on revenues, consider the economic implications and advise their Minister. The Department of National Revenue

administers the various tax acts, advising the Minister of Finance when changes in the acts are required to facilitate collection. The effectiveness of certain audits and inspections, in ensuring collection of these taxes, will be considered in the chapter on Auditing.

2 Tax revenues, received in 1960-61, are shown in Table 16.

3 Although only two departments are responsible for determining tax measures and collecting most taxes, many if not all departments and agencies have responsibility for non-tax revenues. The purpose of this chapter is to review the effectiveness with which this responsibility is discharged. Non-tax revenues collected in the fiscal year 1960-61 are shown in Table 17.

4 The return on investments results mainly from the surrendered profits of the Bank of Canada, interest on loans to other governments, interest and dividends received from Crown corporations, and income earned on various funds and securities held by the government. The revenue of the Post Office is

Table 16—TAX REVENUES

Source	Amount (\$ millions)
Income Taxes*	3,408.9
Excise Tax*	1,281.5
Customs Import Duties	498.7
Excise Duties	344.9
Estate Tax	84.9
Total	5,618.9

*includes taxes credited to the Old Age Security Fund.

Table 17—NON-TAX REVENUES

Type	Amount (\$ millions)
Return on investments	283.8
Post Office revenue	173.6
Refund of previous year's expenditures	40.5
Service and service fees	35.6
Proceeds from sales	24.0
Privileges, licences and permits	27.2
Bullion and coinage	8.5
Premium, discount and exchange	0.9
Other	7.8
Total	601.9

the amount remaining out of the gross income from the sale of stamps, money orders, rental of post office boxes, etc., after certain costs of operation (totalling \$28.3 million) have been deducted. The largest part of the refunds of expenditures made in prior years arises out of price and other adjustments to contracts. Bullion and coinage revenue is derived from the operation of the Royal Canadian Mint.

5 Service and service fees, proceeds from sales, and privileges, licences and permits, totalling \$86.8 million, arise from a multiplicity of services as shown in Table 18.

6 Non-tax revenue serves a number of basic purposes in the management of government operations. In certain cases, revenues enable a service to be performed on a self-supporting basis; many Crown corporations are expected to produce revenues to support their operations. Non-tax revenues are used by departments to partially offset direct expenditures, for example in the operation of veterans' hospitals. In other cases, charges are made to limit or police the use of a govern-

ment service; for example, a nominal charge is made for maps and survey reports in order to prevent indiscriminate distribution.

7 Responsibility for the management and collection of revenues is fairly broadly distributed throughout departmental management. The report on Miscellaneous Services to the Public describes many of the services being provided to specific segments of the community. Only a few of these services are now self-supporting, and that report discusses whether charges should be made for them and, if so, the basis for such charges. The purpose of this chapter is to review the existing machinery for managing such revenue, and to consider whether a financial control system geared primarily to the expenditure of funds is satisfactory for managing revenue-producing services.

8 Investigations indicated that too little attention is given to non-tax revenue within the present system of financial control. The collection of public money is regulated by various statutes. The Treasury Board also exercises some control. Departments are required to include estimates of expected revenue in their Estimates submission, but, in most cases, these estimates are on a memorandum basis only. The rates charged for a few services are developed by Treasury Board and approved by the Cabinet; for example, the rental of space in airport terminals, hangars and other buildings. Also, in reviewing the expenditure programmes of departments, the Board's staff gives some consideration to non-tax revenue.

9 The Comptroller of the Treasury may provide accounting and other services in connection with the collection and accounting of public money for a department. Actual collecting is generally being done by personnel in the middle or lower echelons of the department's organization, but this aspect of administration is often treated in a routine fashion by departmental management. In

Table 18 — ANALYSIS OF CERTAIN NON-TAX
REVENUE

Source	Amount (\$ millions)
Service and service fees:	
Payment for police services	10.2
Marine, canal and air service fees	9.7
Inspection, weighing and storage of grain	4.2
Services, rentals and tolls	3.9
Reimbursement from provinces re treatment of Indians	2.0
Inspection of electricity, gas, weights and measures	1.8
Supervision of race tracks	0.8
Other	3.0
	35.6
Proceeds from sales:	
Sale of surplus Crown assets	17.8
Materials and supplies	1.5
Publications	1.1
Meals and accommodation	0.9
Other	2.7
	24.0
Privileges, licences and permits:	
Aircraft landing fees and hangar accommodation	11.1
Permits, charters and concessions	3.3
Rental of public buildings and quarters	3.1
Fees, leases and royalties from oil, gas and gold	2.1
Rentals of dwellings, land and accommodation	1.7
Commercial broadcasting fees and licences	1.6
Certificates of citizenship and passport visa fees	1.1
Other	3.2
	27.2
Total	86.8

fact, several departments stated that they regarded the collection of revenue as a nuisance. Because departments, generally, are not being permitted to spend revenues, they lack incentive to give close attention to the amounts received. Rates are seldom related to current costs. Planning and control practices are quite inadequate. Non-tax revenues are reported only when received, since the government's accounting system is on a cash basis. Data on accounts are therefore kept in a memorandum form—an unsatisfactory procedure for ensuring collection.

10 Non-tax revenues are important as a source of funds and are an element of management's financial responsibility. Together with related expenditures, they should be brought forward for review by management in making decisions. Both senior departmental management and the Treasury Board should take a more active part in planning, managing and controlling non-tax revenue.

RATES

11 Some statutes stipulate the rates that may be charged for a service. Many other rates come within the purview of the Executive. The Financial Administration Act states that:

18. Where a service is provided by Her Majesty to any person and the Governor in Council is of opinion that the whole or part of the cost of the service should be borne by the person to whom it is provided, the Governor in Council may, subject to the provisions of any Act relating to that service, by regulation prescribe the fee that may be charged for the service.

12 The rates fixed often bear little direct relationship to costs. Systems for costing particular services or activities seldom exist and, as a result, cost-based charges are difficult to establish. Rates are rarely established on estimated fair market values because many services are unique to government.

13 There appears to be no policy setting out the appropriate relationship between income

and expenses attributable to a service. Little or no attempt is made to limit expenditures in instances where revenues decline. For example, municipal service levies made against residents of townsites in National Parks have no apparent relationship to estimated municipal tax rates for equivalent services, or to the annual expenditure made to provide such services. Some departments stated that service charges are kept low so as not to discourage utilization.

14 There is no formal or automatic machinery for the revision of rates. The rate for policing the race tracks is statutory and pegged at one-half of 1% of the amount wagered, without relation to the cost of providing the service. At times this provides revenue in excess of expenditures and, since the rates are statutory and therefore difficult to revise, departmental policy has been to increase expenditures and provide additional services rather than attempt to obtain revision of the legislation.

15 Generally, the onus is on departments to determine and justify the need for a revision of rates. One large department, responsible for collecting a substantial amount of non-tax revenue, stated that over sixty per cent of its rates had not been revised in the past five years, despite rapidly increasing costs. The Treasury Board analyzes proposed changes, if submitted, and makes recommendations to Cabinet. Since the Treasury Board is primarily concerned with expenditure matters, the question of the adequacy of rates is often relegated to a position of minor importance. Revisions in statutory rates are difficult to effect and departmental management generally does not press for revisions.

16 Changing conditions and the good management of government operations suggest, however, that many rates for non-tax revenues should be revised, and that rates should be established for many other activities now supplied free. Rates for services provided to

a small or specific segment of the public should be increased to eliminate or reduce the subsidy provided from tax revenues.

17 There is a need to focus greater attention on non-tax revenue. Senior departmental management should be responsible for earning the optimum non-tax revenue in areas within their control. The Treasury Board should give guidance to departments in exercising this responsibility. Both departments and the Treasury Board staff should continuously assess all programmes for potential non-tax revenue.

18 Cost systems should be introduced that would automatically bring to the attention of senior management deviations between revenues and expenditures. Policies setting forth the expected relationship between costs and revenues should be established by both the Treasury Board and departments to govern the rates to be charged and to facilitate revisions as conditions change.

NET VOTES

19 Traditionally, non-tax revenues are deposited in the Consolidated Revenue Fund and are not associated with the related expenditures in the Estimates. However, thirty-one votes in the Main Estimates of 1961-62 permitted certain revenues to be deducted from the gross amount of the votes. In these cases, revenues were received either from other government departments or from the public. To illustrate, vote 220, Department of Mines and Technical Surveys read in part as follows:

Net Total Continuing Establishment	\$ 3,959,988
Less—Amount to be provided by Department of National Defence	90,380
Total Salaries and Wages	\$ 3,869,608

In this case, the staff of the Mines Branch performed work for National Defence, and Mines and Technical Surveys was reimbursed

accordingly. In the same Estimates, vote 456, Department of Veterans Affairs, "Treatment Services—Operation of Hospitals and Administration", read:

Estimated gross expenditure	\$61,815,346
Less recoverable costs —	
Treatment of Patients, Staff	
Meals and Accommodation, etc.	16,598,000
Amount voted	<u>\$45,217,346</u>

In this case, revenues were received from the treatment of patients, provision of laundry service, rental of staff quarters and sales of meals, market garden produce, occupational therapy, etc.

20 For a number of other votes, revenue was shown in memorandum form, but not offset or abated. For example, the presentation of vote 24, Department of Agriculture, "Plant Products Division — Operation and Maintenance" was as follows:

	<i>Expenditure</i>	<i>Revenue</i>
Fiscal year 1959-60:	\$1,719,225	\$351,741
Fiscal year 1960-61:		
Actual to Nov. 1/60	1,067,852	186,057
Est. for bal. of year	<u>914,148</u>	<u>174,283</u>
Est. total for 1960-61	<u>\$1,982,000</u>	<u>\$360,340</u>

In this instance inspection fees, seed testing charges, licences, etc., are credited to the Consolidated Revenue Fund and may not be spent by the department.

21 In departments where non-tax revenues are abated, as in the first two examples above, considerable attention is given to the accuracy of the estimate, since departments are conscious of the role of non-tax revenue in supporting the level of expenditures. The same care is not taken when revenues cannot be offset: in such instances, estimated revenues may vary by as much as fifty per cent

from actual collections. Revenue projections, where given, are usually based on the previous year's figures.

22 There is no prescribed policy for non-tax revenues in the Estimates; nor are practices consistent. This may be demonstrated by comparing the vote for the medical treatment of veterans in the Department of Veterans Affairs (where \$16,598,000 of revenue was offset) with vote 261 in the Estimates of the Department of National Health and Welfare for the care of Indians and Eskimos. In the latter case the revenues amounted to \$2.5 million but were not offset.

23 There are various alternative ways of treating non-tax revenue:

- First, anticipated revenues can be indicated by a memorandum entry in the Estimates. Although this does not provide an incentive factor for management, it does disclose to Parliament the estimated net cost of a service. Under this system, the gross amount is appropriated for departments to spend, and money collected cannot be used to meet expenditures.
- Second, the revenue can be abated against the related expenditure, with Parliament voting the net amount and the department allowed to spend up to the gross amount, provided that the estimated revenues are received. The excess of actual over estimated revenues is not available to departments to increase expenditures. Under this system, departments have little freedom to expand a service to meet demands and may, as a result, have to request supplementary Estimates. Departments, however, do have an incentive to ensure that actual revenues collected meet estimated revenue, since otherwise there will be a short-fall of expenditures.
- Third, the revenue can be abated against expenditure, with Parliament providing the net and the department permitted to spend

all revenues collected. Under this system, departments have a real responsibility for revenue and the maximum incentive to earn optimum revenue.

24 Approximately one-third of non-tax revenues surveyed are now abated against the cost of the services provided. Extension of this practice will have the effect of transferring greater authority to the management of departments. More important, it will focus greater attention on non-tax revenues and relieve the drain on tax revenues to provide services, the cost of which might more properly be borne by the beneficiaries.

25 This may appear to lessen the control of Parliament over the Executive, since departments will be free to spend funds earned and will have to request parliamentary approval only where deficits exist. However, no programme should be carried out without the inclusion of at least a nominal vote in the Estimates, supported by adequate details of revenues and expenditures. Parliament will still be able to question the Executive, and will be better informed of the true cost of providing the service concerned, particularly if the details of both revenues and expenditures are submitted by programmes of activity.

ACCOUNTING SYSTEMS

26 The Financial Administration Act provides that the Comptroller of the Treasury may, on request of the minister of the department and with the approval of the Minister of Finance, (a) provide revenue accounting and other services for a department, (b) examine the collecting and accounting practices applied in a department, and (c) report thereon to the appropriate minister. In practice the actual collection of moneys is done by departmental personnel, the Comptroller providing accounting and depositing services. The manual of instructions for Treasury personnel states that their concern

is not with the propriety of amounts collected, but only that they are promptly deposited.

27 Collection methods vary. Some involve government employee payroll deductions; others, billing to the public for services or goods provided, the use of mechanical turnstiles, and sundry cash collections. Most revenue received through the mails is by money order or cheque, drawn in favour of the Receiver General.

WRITE-OFFS

28 Statutes of limitations do not run against the Crown, and an Imperial statute of 1704, as well as constitutional usage, vest in Parliament the exclusive power to approve write-offs of debts due to the Crown. Sometimes debts, long overdue, are not collected until the distribution of the estate of a deceased debtor. Accounts of departments are cluttered with accounts receivable which are simply bad debts.

29 Billings originate with either the department or the Treasury office, depending on the location of the necessary records and information on rates. Where departments originate the billing, copies are passed to the Treasury office when the account is sent to the debtor. The Treasury office bills again at the end of thirty days and, after the third month, a registered letter is sent whenever the amount involved exceeds \$5. If the account is not paid, the Treasury refers the matter back to the department for action. When it is unsuccessful, the case is referred to the Department of Justice. If that Department decides that the account is uncollectable, it recommends that the case be submitted for deletion from departmental accounts under one of the classifications in the Treasury Board regulations.

30 The follow-up procedures appear adequate, but the subsequent handling of bad

debts is unrealistic. Legislation permits Executive action only where the amount does not exceed \$1,000. Action by Parliament (generally by an item in the Estimates) is necessary to dispose of amounts in excess of that amount.

31 The foregoing concerns accounts receivable where a service has been rendered to the individual. Another category, and it is an important one, consists of the moneys due to the Crown by reason of overpayments. Typical examples are: where an amount is owing from a civil servant who concealed real age and continued in the public service beyond legal age limits for employment; where the recipient of a veteran's allowance was overpaid for one reason or another; or where there is a loss of public money due to carelessness or fraud by a public employee. In these cases, a direction to recover is often a mere formality; petty instalments may be spread over long periods of years.

32 It has been observed that departments are prone to carry accounts receivable in the accounts far too long before initiating action. Various considerations may be involved, but the main reason seems to be that a request for action may bring to light inefficiencies in departmental administration. Few departments have adequate procedures to prevent further credit being extended to debtors already in default.

33 No departments appear to have defined the period after which it would be reasonable to take action to delete the account. Senior management of each department should develop general policies to guide personnel responsible for reviewing and collecting accounts receivable. These policies should be vigorously implemented. Internal auditors should expose and bring to the attention of departmental heads any failure to pursue approved policies.

4

ACCOUNTING AND REPORTING SYSTEMS

INTRODUCTION

1 The accounting system of the government must satisfy the needs of Parliament, the Executive, and departmental and agency management.

- First, Parliament must receive an accounting of the Executive's stewardship of the funds provided. Since Parliament provides the funds initially by approving Estimates, the form of the accounts should be such as to permit comparison with the Estimates.
- Second, the Executive, being accountable for these funds, must have an accounting system that will readily produce all information necessary to enable it to fulfill its responsibilities; this would include periodic reports of cash outgoings.
- Third, departmental and agency managements need flexible accounting systems to produce the timely information on all activities that is a requisite for sound decision-making.

2 The following excerpt from the introduction to the Public Accounts of Canada, 1960-61, gives an outline of the accounting

principles followed currently by the Government of Canada:

There are two generally accepted bases or systems of accounting. One is the 'cash' basis under which revenues are taken into the accounts in the period in which they are received in cash and expenditures are accounted for when the actual disbursements are made; the other is the 'accrual' basis under which revenues are accounted for when earned or due, even though not collected, and expenditures are accounted for when the liabilities are incurred whether payment is made in that accounting period or not.

Many factors must be considered in determining how the government's voluminous and varied transactions should be recorded and brought into focus in a clear and comprehensive way. In business, the accounts are usually maintained on an accrual basis. However, the prime purpose of government accounting is to serve the requirements of Parliament and more particularly to ensure effective control by Parliament over public moneys. As parliamentary control in Canada is predicated on the operation of the Consolidated Revenue Fund, which is by law a cash account, and on regulating the flow of cash receipts into and cash payments out of the Fund, it follows that the accounts of Canada are maintained basically on a cash system. However, there is provision in the Financial Administration Act for bringing into the accounts of each fiscal year expenditures relating to that year, which on a pure cash basis would be excluded, and in addition certain modi-

fications have been made to facilitate the maintenance of accounting control over certain assets and liabilities, and to provide for valuation adjustments for recorded assets in anticipation of possible losses on ultimate realization. Revenues are reported on a cash basis and consequently taxes assessed and due and other revenues receivable or accrued (including interest accrued) are not normally set up as assets on the government's statement of assets and liabilities.

On the expenditure side, under the provision of Section 35 of the Financial Administration Act, for thirty days after the end of each fiscal year, payments for the discharge of debts properly applicable to the old year may be made and charged to that year. Consequently, liabilities under contracts and other accounts payable at March 31 for which cheques are issued during the month of April are charged as expenditures in the old year and appear as current liabilities on the statement of assets and liabilities. This is a significant modification of pure 'cash' accounting, and brings into the year's transactions the greater part of those expenditures which on the cash basis would be excluded, but which on the accrual basis would be included and carried to the statement of assets and liabilities as accounts payable. In other respects the expenditure accounts reflect refinements of the cash basis. For example, discounts and commissions on loans are not charged to expenditures in the year in which they are paid, but are set up as deferred charges on the statement of assets and liabilities and are amortized or written off to expenditures during the period of the loan. Also, losses on loans and advances and on other assets are not generally charged to expenditures in the year in which the loss is sustained; instead provision has been made from time to time for a reserve for possible losses on the realization of assets to which the ultimate loss when determined may be charged by parliamentary authority.

The balance of this chapter will describe the system within which these governing principles operate and will analyze some of its shortcomings.

PRESENT ACCOUNTING SYSTEMS

Accounts Kept by the Comptroller of the Treasury

3 The Comptroller of the Treasury has primary responsibility for accounting in the Government of Canada. The Fiscal Account-

ing Division of the Comptroller's headquarters organization maintains the central accounting records of the government in accordance with the principles outlined above. These record the revenue, appropriations, expenditures, and assets and liabilities of the government. The annual Public Accounts are compiled from these records, supplemented by information obtained from departmental Treasury offices.

4 The departmental records are maintained by the various Treasury offices assigned to departments. The breakdown of the accounts corresponds, first, with the votes appropriated by Parliament and, second, with the allotments approved by the Treasury Board. Further divisions and subdivisions are made in varying patterns to meet the requirements of individual departments. The breakdown of accounts and the nomenclature are seldom consistent between departments—often even between branches of the same department.

5 The entries in these accounts are made when the funds are appropriated, when they are encumbered or committed and, finally, when the cash is disbursed. The detailed accounts show, at any point in time, the amount remaining of the appropriation, the outstanding commitments, and the expenditures to date.

6 Accounting records are also set up for revenues. The number and classification of these accounts vary among departments, only the actual moneys received being accounted for.

7 Each Treasury office prepares monthly statements from these accounts for use by the Fiscal Accounting Division in making postings to the central accounts, which are arranged in accordance with the votes.

Accounts Kept by Departments

8 Some departments rely completely on the accounts kept by the Comptroller's staff;

others integrate these accounts with additional records of their own, or themselves maintain records which almost completely duplicate the records kept by the Treasury offices.

9 The Departments of Transport and Defence Production go furthest in duplicating the Comptroller's records. These Departments feel that the maintenance of their own accounting systems is essential, because of their size and specialized requirements.

10 The accounting system of the Department of Transport was established during World War II to maintain allotment control over the expenses of the Air Services Division, and has since spread to all other divisions. The Department believed that effective control could be maintained only by its own people, with their intimate knowledge of the basic data.

11 The Department of Transport had 271 staff positions approved for accounting work at the end of 1961. Many of these employees are attached to regional offices and operating units, sometimes where no Treasury office is available to service the unit. Much of the accounting information provided is similar to that provided by Treasury offices, although the staff is expected to provide more assistance to operating personnel.

12 The Department of Transport also supplements the normal cash accounting at major airports by a cost system based on accrual accounting. The regional cost accountants maintain books of original entry from data obtained from airport labour and material distribution reports, from revenue documents, accounts payable vouchers, journal vouchers, and from other normal cost documents. This information is consolidated monthly and a detailed report is prepared for distribution to airports, regional offices and headquarters. The regional cost accountant is also responsible for

maintaining supplementary cost records of mobile equipment, and for performing other cost accounting work as required on behalf of the regional offices.

13 In the Department of Defence Production, a departmental Comptroller, with an establishment of eighty-nine in 1960-61, provides accounting services for the Department and for the Canadian Commercial Corporation—a Crown corporation associated with the Department. Complete bookkeeping records are kept, based as far as possible on commercial practice. Another official, the Financial Adviser, with an authorized staff of fifty-four, advises on the financial implications of contracts and other matters affecting the Department's activities.

14 The accounting records maintained by this Department are considerably more extensive than those kept by other departments. Records kept to control assets on loan to contractors facilitate detailed administration of complex agreements with such contractors. Monthly expense statements are prepared for each director of a branch of the Department.

15 The Comptroller of the Treasury services the Department of Transport with a staff of ninety-seven in the Treasury office attached to the Department in Ottawa, and with numerous other employees located in the district or regional offices outside Ottawa. This large staff duplicates much of the work done by the departmental accounting staff. By contrast, the Treasury office attached to the Department of Defence Production has a staff of only twelve, since the duties of this office are limited to expenditure verification, commitment control, and preparation of monthly cash statements by allotments.

Alterations in Responsibilities Required

16 The experience of the Department of Defence Production illustrates that, even

under the present statutory responsibilities, some duplication can be eliminated if the Treasury office confines its activities to the duties mentioned above. However, with the exception of cheque issue, the manner in which the Comptroller of the Treasury performs even these functions fails to meet departmental requirements.

17 The Comptroller can provide complete services for all departments only if he locates his own staff wherever departmental personnel are called upon to perform duties. Instead, the Comptroller quite properly maintains offices only in those centres where large numbers of public servants are employed. Departments, faced with the alternative of using these less convenient offices, prefer to have their own employees undertake accounting functions, often as a part-time responsibility supplementing other duties.

18 Commitment control is an integral part of the departmental accounting systems established by the Comptroller of the Treasury. Since these systems are primarily designed to control funds, departments seldom have access to the information vital to efficient and effective management that is normally provided by systems employed in commerce and industry. A standardized accounting system applied to all departments is too inflexible to meet the needs of individual departments, particularly when the employees responsible for the system are not part of departmental management and act in a control rather than in a service role. Therefore, statutory responsibilities should be altered to place responsibility on departments for certifying to the Comptroller that expenditures will be lawful charges and that funds are available. The responsibility of the Comptroller of the Treasury should be limited to ensuring that the departmental officers providing this certificate are properly authorized.

19 The Comptroller will necessarily continue to keep the central accounts of the

government; he now posts these accounts from summaries provided by departmental Treasury offices. This method can still be used in order to make the centralized accounting entries, with the detailed accounts maintained exclusively by departmental personnel. No department or agency is so small that it cannot keep its own detailed accounts, but the Comptroller might be called upon to assist in establishing suitable and adequate accounting systems. He should also have the right to review departmental systems to ensure that the accounting data presented to him for integration into the central accounts of the government conform with his requirements.

ACCRUAL ACCOUNTING

Introduction

20 In any discussion of the relative merits of cash and accrual accounting for the Government of Canada, the differing nature of two distinct areas of need must be recognized. The over-all accounts of the government must be related to the parliamentary process, in particular the Estimates and the Budget. Parliament votes money on an annual basis and is not greatly concerned with the position of expenditures month by month. Income tax revenue is also budgeted with respect to the incomes of taxpayers over an entire year, and scrutiny of tax collections at shorter intervals has little significance for Parliament.

21 The second need for accounting in government is quite different, for it relates to the conduct of operations by departments and agencies. Here, the need is for accounting procedures which will effectively assist and control the operations of management and will provide accurate financial information on the cost of various programmes and activities for purposes of assessing performance.

22 The twentieth century has witnessed the

emergence in the private sector of the large and complex corporate organization which assembles vast quantities of capital and manpower to exploit industrial and commercial opportunities on a scale previously unknown. Many factors have contributed to this development, but one of its essential features has been the ingenuity applied to financial record-keeping so that the growing enterprise could continue to be managed and controlled. Thus, the relatively simple record-keeping processes of the last century have given way to modern accounting, specifically designed and continuously developed to facilitate management and to provide dependable reports on periodic performance.

23 At a very early stage, a mere analysis of receipts and disbursements of money was recognized to be insufficient for the needs of the growing organization. Accrual accounting was developed to portray the results of operations in a particular period based on actual transactions rather than on the moneys passing through the cashier's window.

24 Accounts kept on a cash basis record receipts and payments without regard to the fiscal periods within which the activities giving rise to such cash movements relate. Receipts of one year include moneys attributable to the preceding year's operations and exclude current year's revenues to the extent that they remain uncollected at the end of the year. Payments include the settlement of debts incurred in previous fiscal periods and ignore liabilities arising within the current year to the extent that they are unpaid at the year-end.

25 Under accrual accounting, revenues are taken into account when first determinable, not at the time they are collected; goods and services for immediate consumption are charged to current expenditures when received, not when the account is paid; materials for later consumption are charged to operations only when consumed; the cost of build-

ings and plant, which have a useful lifetime beyond the current period, is spread over operations for the periods in which they are used or consumed in service.

26 Today, except for very simple operations, accrual accounting is in general use in commerce and industry. An operation of any complexity cannot be satisfactorily accounted for in any other manner. How, then, can the operations of government be intelligently managed with records based only on cash movements? The answer is that the quality of departmental management performance is today impaired through lack of a very essential tool.

Experience in Other Countries

27 In the United Kingdom, the Exchequer accounts are kept strictly on a cash basis and can accordingly be reported at the end of the last day of the fiscal year. Appropriation accounts kept by departments are held open for several months for the purpose of discharging liabilities incurred during the fiscal year. The unused portion of cash advanced to departments by the Paymaster General and charged to Exchequer accounts is surrendered to the Exchequer at the end of the designated period. Certain departments carrying on trading operations maintain their accounts on an accrual basis. The Post Office is an outstanding example of how modern accounting techniques can be applied to a government department. Its annual report and balance sheet are completely consistent with the best reporting techniques outside the government.

28 A Committee of Inquiry examined the "Form of Government Accounts" in Great Britain in 1947. Having been formed to consider the desirability of introducing income and expenditure accounting on an accrual basis, it arrived at two conclusions:

We see no practical advantage to be secured from the adoption of an income-and-expenditure basis of accounting in respect of administrative services.

Some arrangement, such as the establishment by legislation of Trading Funds, is needed whereby the Financial results, as affecting the Exchequer, of income-and-expenditure accounting for large and permanent trading operations by Government Departments shall be embodied in the weekly returns and annual accounts of the Exchequer.

These conclusions, being in the nature of a compromise, failed to commend themselves to a large segment of the accounting profession in England, but they undoubtedly gave some limited impetus to the development of accrual accounting in various departments of the United Kingdom government.

29 In the United States, the main government accounts are kept on a cash basis, with few modifications. Departmental or agency accounts are maintained using the accrual method. Departmental records are inter-related but not integrated with the records of the government kept by the Department of the Treasury.

30 The two Hoover Commissions in the United States both examined this subject. The first Commission stated:

Accounting for appropriations is one thing—accounting for the incurrence of expenses is another. Both are necessary, the former to control the consumption of appropriations, the latter to control, among other things, the evil of year-end rushing to spend surplus balances of appropriations and the investment in supply inventories, as well.

The Task Force of the second Commission recommended:

That Government accounts be kept on accrual basis to show currently, completely, and clearly all resources and liabilities and the costs of operations. Furthermore, agency budgeting and financial reporting should be developed from such accrual accounting.

That, as a general policy, reliance be placed upon appropriate accrual and cost accounting techniques as a primary means for aiding the effective management of Government activities.

Central Accounts of the Government

31 The apologia for the accounting procedure of the Government of Canada, as set out in the Public Accounts, 1960-61, has already been quoted. Under what is termed a modified accrual system, the cash accounts are kept open for a month after the end of the fiscal year to permit the settlement of outstanding liabilities, thus bringing into account most expenditures on goods and services applicable to that year. No one, apparently, has been concerned with inconsistency to the point of objecting to the absence of similar treatment for revenues uncollected on the last day of the fiscal year.

32 Nevertheless, your Commissioners believe that, for the purposes of the Estimates, Appropriations, and Public Accounts of the government as a whole, the present arrangements, imperfect and illogical as they may be, should be continued. At some future date, this subject should be reviewed and a conclusion reached as to the desirability of placing such over-all accounts on an accrual basis. In the meantime, the essential need is for consistency of procedure from year to year. Although the present accounts fail accurately to portray the results of the fiscal year on any basis, they do show a rough equivalent of the results for a fiscal period not far removed in time from the fiscal year.

Departmental Accounts

33 Because of the needs of management, because true costs are necessary, and because meaningful, periodic statements are essential to the establishment of accountability for performance, departments and agencies should maintain their own accounts, making the fullest use of accrual accounting. Just as no standard system can be applied indiscriminately to all types of activity in the private sector, so in government the departmental systems must be designed to meet the needs of each operation.

34 Administratively, the greatest gain will be the escape from the present cumbersome system of keeping track of commitments. Commitment control, as presently practised in the government, represents a very costly and inefficient means of remedying one of the basic deficiencies of cash accounting; that is, its failure to protect against over-spending by not recognizing transactions until they result in movements of cash. In this area alone, important savings will result from scrapping all the present laborious procedures and relying on the basic accounts, recording transactions as they occur, to protect against over-spending.

35 The more significant benefits to be realized through the adoption of accrual accounting lie in the realm of management. In terms of enlightened performance, of close control of operations by units and branches, and of accurate cost information, the change should bring about very important improvements. Not only should large sums of money be saved, but the skill and despatch with which government business is conducted cannot but be materially bettered.

36 There is no basic inconsistency between these conclusions. The over-all records of the government on a cash basis and departmental records on an accrual basis can be correlated without difficulty. Both provide useful information, but for different purposes.

ALLOCATION OF COSTS

Introduction

37 Almost all investigating teams found public servants unconcerned about the cost of the services that they provide. An accounting system, capable of facilitating decision-making by management, should provide complete costs of activities. The present government accounting system does not provide cost information readily because accounts, coded on a standard object-of-expenditure

basis, do not provide statements showing costs by programmes, and cash accounting does not produce cost information for the period during which the costs were incurred. Finally, not all costs of operations are paid for by the department concerned.

38 Where common services are provided to departments and agencies by other departments, the supplying departments are responsible for planning, providing and controlling the common services, and the necessary funds are voted by Parliament to the supplying department. The following table sets out some of the principal common services, lists the supplying departments, and shows the amounts voted by Parliament for the fiscal year 1961-62:

Table 19—COST OF COMMON SERVICES VOTED BY PARLIAMENT

<i>Service</i>	<i>Supplying Department</i>	<i>Amount</i> (\$ thousands)
Accommodation	Public Works	44,794
Furniture	Public Works	2,944
Superannuation	Finance	47,668
Unemployment Insurance	Finance	1,100
Medical and Hospital Insurance	Finance	8,130
Telephone	Finance	1,563
Employees Compensation	Labour	2,100
		<hr/> 108,299 <hr/>

39 Other services provided free of charge to departments and agencies, but not covered by specific votes, are franked mail services by the Post Office, legal services by the Department of Justice, interest on working capital by the Department of Finance, certain accounting services by the Comptroller of the Treasury, and translation service by the Secretary of State. Inconsistently, certain other services are supplied but charged for; for example, stationery and printing services sup-

plied by the Department of Public Printing and Stationery, and transportation services supplied by the Department of Transport.

40 The Department of Public Works builds, operates and maintains the majority of government buildings, and supplies office furniture, free of charge, to user departments and agencies. The Department of Finance is responsible for disbursing funds on certain items of payroll costs, including superannuation payments. The same Department also provides at its own expense telephone services in Ottawa for all departments, although a decision has been made recently to charge user departments and appropriate machinery is being established. The Department of Labour bears the cost of compensating government employees injured at work.

Memorandum Allocation of Costs

41 In April, 1961, officers of the Department of Finance proposed to the Standing Committee on Public Accounts that the value of major services provided free of charge to each department be included in memorandum form in the Estimates. The presentation to the Committee read as follows:

A criticism of Canadian Estimates in the past has been that the total cost of a particular service or a departmental area is difficult to assess because the estimates for them do not contain provision for common services which are performed by other government agencies and provided to them free of charge.

To assist in arriving at a reasonable picture of total cost without the introduction of costly accounting practices, there could be included in the Details of Services for each departmental or other Class of Estimates (i.e., for each area identified in the over-all Summary in the front of the Blue Book) a list of the major services provided free of charge to that department and their estimated costs.

In the preparation of these lists, the following practices are suggested:

- 1 To distribute only the costs of those services whose total annual costs exceed \$2 million.

- 2 In determining the cost of accommodation:
 - (a) to limit coverage to buildings in use;
 - (b) for Crown-owned buildings, to use a square foot cost based on
 - (i) the relevant year's element of amortized capital cost,
 - (ii) a factor for grants paid to municipalities in lieu of taxes,
 - (iii) a factor covering lighting, heating and furnishing (if provided free of charge);
 - (c) for leased accommodation, to use the actual rentals paid plus the cost of cleaning and maintenance in cases where such services are provided free of charge.
- 3 Direct the providers of common services to include in the cost they allocate to others a fixed percentage of their costs to represent the value of common services they themselves receive.

42 This proposal met with the approval of the Committee and, accordingly, memorandum costs were incorporated in the 1962-63 Estimates. Exhibit 5 illustrates the form used.

43 Although a step in the right direction, the proposal fails to meet an essential need. The amounts are recorded for the department as a whole with no breakdown by votes or programmes.

Importance of Total Costs

44 Total programme costs are essential to ensure effective management of government operations by the Executive and departments.

- First, greater cost-consciousness will be created. A management directly responsible for total costs of a programme will have incentive to secure maximum utilization of personnel and facilities.
- Second, decision-making at all levels of government will be facilitated, since management will be better able to choose between alternative programmes, objectives and methods. The information necessary to establish proper rates for revenue-producing services, and to decide whether to "make or buy", will be readily available.

- Third, better evaluation of performance will be possible, since total costs provide a better yardstick for measurement than partial costs.

45 Supplying departments are best equipped to administer a common service because of the advantages of specialization and other economies of scale. Regulations establishing common criteria should continue to be developed by the Treasury Board in conjunction with supplying departments. However, user departments will not be properly accountable for the efficiency with which they utilize common services unless the costs are reflected in their accounts.

46 Funds for most common services are now voted by Parliament to the supplying departments. For example, funds for operation and

maintenance of most government buildings are voted to the Department of Public Works. Responsibility for the efficiency of space utilization rests, therefore, with that Department. Building superintendents periodically inspect public buildings and, during these inspections, consider the efficiency of space utilization. This is necessary since there is no guarantee that departmental management will report to the Department of Public Works unnecessary or misused space. Cost allocation would provide departments with an incentive to report promptly space not required.

Effect on Parliamentary Control

47 With the adoption of the principle of full allocation of costs, Parliament should control by programme and vote funds to

Exhibit 5—ILLUSTRATION OF MEMORANDUM FORM FOR ALLOCATING COSTS

DETAILS OF SERVICES				
Positions (man-years)		Approximate Value of Major Services Not Included in the Estimates	Amount	
1962-63	1961-62		1962-63	1961-62
			\$	\$
		Accommodation (provided by the Department of Public Works).....		
		Accommodation (in this Department's own buildings).....		
		Accounting and cheque issue services (Comptroller of the Treasury).....		
		Contributions to Superannuation Account (Department of Finance).....		
		Employee surgical-medical insurance premiums (Department of Finance).....		
		Employee compensation payments (Department of Labour).....		
		Carrying of franked mail (Post Office Department).....		

meet the true cost of each programme. The present practice of voting funds to the supplying departments, showing allocated costs as memoranda, does not achieve this objective. It would be equally unsatisfactory to include the costs of common services only in user department votes, because Parliament would then have no control over the operations of supplying departments.

48 The solution is to treat the costs of common services as charges to user departments and credits to supplying departments. The Estimates of user departments should include the cost of common service requirements, to be justified to the Treasury Board and to Parliament, and funds voted accordingly. The Estimates of supplying departments should provide for the gross amounts required for their operations, for the purpose of control by the Executive but, since at least part of the necessary funds will be recovered from user departments, the funds to be voted by Parliament will be abated to that extent. If all costs are to be recovered, a nominal vote of \$1 would afford the opportunity for parliamentary review.

49 This method of allocating the costs of common services has two advantages. Supplying departments, which must be responsible for the efficient provision of services, would have effective control of all the necessary expenditures, and their performance would be assessed by the Executive on that basis. User departments, responsible for the proper use of the services provided, would take a more cost-conscious approach to their requirements if they have to justify proposed expenditures to the Treasury Board and to Parliament.

Method of Accounting

50 The systems and procedures involved in allocating costs need not increase clerical costs. The system of billing by the service department and paying by the user depart-

ment can be achieved either by a voucher cheque, or by a journal voucher system with charges compiled and billed on a yearly, quarterly or monthly basis. The system for distributing the allocated costs within the user department can be designed to meet the needs of the particular department.

51 The data for distributing costs for superannuation, medical insurance, compensation and other costs related to personnel, are presently available, and could be charged against departments with an insignificant amount of extra work. The Department of Public Works has data on the utilization of space and withdrawals from furniture stores, and the monthly billing operation would be a simple task. Records of telephone installations are available, and charges are in the process of being computed with the intention of charging user departments.

52 The Department of Public Works now tabulates quarterly all direct and supervisory costs incurred for operating and maintaining each building within its jurisdiction. Funds to cover these costs, including heating, cleaning, repairs, supervision, etc., are voted to the Department of Public Works, as are rents paid for leased accommodation. In short, current disbursements to operate and maintain departmental accommodation in buildings within the jurisdiction of the Department of Public Works are now known, and could be billed to user departments with little additional work.

53 For the purposes of the 1962-63 Estimates, the Treasury Board required that the cost of accommodation of each department be calculated. The calculations include amortization of capital cost, although this is most difficult to ascertain in the case of older structures. The resulting total cost estimates are, therefore, viewed with reserve.

54 For the reasons previously set out, no recommendation is made to change the sys-

tem of modified cash accounting now employed for the government's over-all accounts. There is little to gain and some confusion would be created if non-cash costs in the form of either amortization of capital cost or economic rent were to be included in billings by the Department of Public Works to user departments. Moreover, the resulting inflation in space billings to departments would provide the Department of Public Works with revenue in excess of the actual operating costs of that Department, and the over-run would probably end up as an offset to the capital construction costs of the current year. Your Commissioners have therefore concluded that accommodation charges billed to departments should only reflect current costs of operation and maintenance, including the cost of leased premises and grants made in lieu of taxes.

55 For the purposes of departmental management, however, and in particular where trading activities are carried on, the non-cash costs of accommodation cannot safely be ignored. Amortization of actual capital costs is of limited relevance in view of the wide variation in the age of structures, but some assessment of the economic value of accommodation should be available to each user department for purposes of developing trading costs and meaningful financial reports. The Department of Public Works should therefore provide to all user departments estimates of the economic value of the accommodation utilized by them.

56 Your Commissioners' recommendation that the cash costs of the major common services be charged to user departments is made after careful investigation and discussions with the departments supplying the services. It is concluded that, without embarking upon any costly or complex accounting procedure, a more meaningful picture of total departmental costs can be readily obtained.

MANAGEMENT REPORTING

Current Practices in Industry

57 Accounting reports are vital aids to management. In industry, as actions take place, an accounting is made of resultant costs and revenues. Industrial management uses this accounting information in the form of management reports to determine results for a given period of time—usually monthly. These reports compare results with the budget or estimates, analyze the reasons for differences, determine what actions should be taken, and thereby permit the necessary decisions to be made. An effective system of management reporting requires that reports be provided to all persons responsible for controlling a phase of an activity and having some responsibility for expenditures. In industry, it has been recognized that the effective use of the greater part of corporate funds lies in the hands of foremen and departmental heads. Reports are directed to them so that they may use available resources to the best advantage. They are usually expressed in terms of money, showing results by the month and for the year to date compared with the budget, which has usually been accepted as a target by the departmental head.

58 The financial management process in industry relies on the continuous review of results for effective use of resources. The activities under the responsibility of foremen or departmental heads are reviewed by them, explanations developed, and then reviewed by the next level of management. This process continues in a pyramid fashion to the point where the senior executive is given, in a series of statements, a concise view of operations which enables him to check current progress against the budgets for the year. He uses analyses and commentaries prepared by his senior financial assistants to evaluate results and to determine the changes that may be required in long-range plans.

Exhibit 6—ILLUSTRATION OF TYPICAL MONTHLY ALLOTMENT STATEMENT

DEPARTMENT OF PUBLIC WORKS

ALLOTMENT STATEMENT FOR THE TEN MONTHS ENDING JANUARY 31, 1961

FISCAL YEAR 1960-61

<i>Part I</i>	<i>Estimates</i>	<i>Allotment</i>	<i>Net Expenditure</i>	<i>Unliquidated Encumbrances</i>	<i>Unencumbered Balance</i>
<i>Minister of Public Works—Salary and Motor Car Allowance (\$)</i>					
Salary.....	15,000.00	15,000.00	12,500.00	2,500.00	.00
Motor Car Allowance.....	2,000.00	2,000.00	1,666.60	333.40	.00
TOTAL.....	17,000.00	17,000.00	14,166.60	2,833.40	.00
Gratuities to Families of Deceased Employees.....	1,778.32	1,778.32	1,778.32	—	.00
Refunds of Previous Year's Revenue.....	2,788.85	2,788.85	2,788.85	—	.00
<i>General Administration—Vote 327</i>					
Headquarters	1,512,360.00	1,647,360.00	1,343,691.79	292,953.55	10,714.66
Administrative Branch.....	330,825.00	355,825.00	282,301.34	73,523.66	.00
Property and Building Management Branch.....	837,100.00	887,100.00	717,071.25	170,028.75	.00
Building Construction Branch.....	434,370.00	484,370.00	376,610.79	102,599.21	5,160.00
Harbours and Rivers Engineering Branch.....	588,160.00	588,160.00	443,287.30	144,689.70	183.00
Development Engineering Branch.....	6,081,722.00	6,121,722.00	4,864,575.86	1,208,162.65	48,983.49
District Offices.....	300,000.00				
Supplement as approved (Transfer from Fin. Vote 121).....	10,084,537.00	10,084,537.00	8,027,538.33	1,991,957.52	65,041.15
TOTAL.....					

Current Practices in Government

59 Few financial management reports are produced for the information and guidance of ministers, deputy ministers, and senior administrative and executive officers. The main financial statement prepared by the Comptroller of the Treasury is the Monthly Allotment Statement. An illustration of such a statement, in this instance for the Department of Public Works, is shown in Exhibit 6. Almost without exception departments stated that they make little use of these reports. Departments in which mechanized equipment is used may be provided with a similar daily or weekly statement. Reports are prepared monthly or quarterly for some departments, classifying the accounts by region, district, etc. These are distributed to lower levels of departmental management.

60 In addition, there are subsidiary and special purpose statements prepared by departmental accounting staff. Some typical examples of present practices can best be illustrated by describing the reporting arrangements in a few departments:

- *Department of National Defence*

Financial reports for the four divisions of National Defence—Army, Air Force, Navy, and Defence Research Board—are prepared by both the Treasury office and departmental accounting units. Statements prepared for the individual Services have little in common with each other in terms either of the information provided or the techniques and procedures used in their preparation.

The Air Force has a more elaborate reporting system than either of the other Services, and provides a good example of properly planned reports. Information is first accumulated in detail and progressively summarized so as to conform with organizational responsibilities. The following pertinent extracts from a memorandum issued

within the Service describe the financial statements used:

In keeping with the best techniques of financial reporting the statements have been built on the pyramid principle with the amount and scope of detail increasing in each succeeding section. This makes the highlights and significant features readily available 'up front' in capsule form as an aid to the busy executive while at the same time providing support detail for more casual review when his time permits. Thus the time one needs to devote to the report is directly proportioned to the amount of detail he wishes to extract from it.

The new style report incorporates an additional feature—that of providing separate statements for the primary or primaries administered by a given branch. This allows a 'selective' distribution system and statement packaging by area of budget responsibility. Branch Heads, Directors and Sub-Division Chiefs will receive personal copies containing only the information on their own areas of responsibility, uncluttered and unbiased by reports on other people's business. Each statement shows its own particular distribution. By this means we hope to increase interest in the report and move the responsible parties to the action the report indicates.

- *Department of Public Printing and Stationery*

Statement preparation in the Department of Public Printing and Stationery illustrates the duplication which occurs between Treasury and departmental accounting units. The Treasury prepares a monthly allotment statement which follows the standard form found in most other government departments. The statement prepared by the Department, although similar, is more up-to-date and is usually available three days in advance of the similar Treasury statement. This Department also prepares cost statements, based on cost centres and units of production for the principal function, i.e., printing. These statements are based, however, on historical standards rather than technically derived standards, and they fail to give a full picture of the costs involved

in the operation since only labour, material and other direct costs are included. The extent of detail in some of these reports is excessive.

- *Department of External Affairs*

The Treasury office attached to this Department prepares a trial balance statement, showing costs for each post abroad, which is poor in form. This statement takes excessive time to prepare; it is manually posted and recorded to the last cent; and because of its size it is almost impossible to reproduce. Nevertheless, the Department uses this statement as the principal means of financial control over expenditures of the posts abroad.

- *Royal Canadian Mounted Police*

The ten financial reports produced monthly are bulky, confusing forms which contain insufficient summary material. Senior officers generally do not wade through the mass of detail presented and there is little analysis of these reports before submission to management.

Responsibility Reporting

61 This term is often used in industry to describe management reporting systems directed towards controlling costs at basic supervisory levels. In these systems, responsibilities are grouped and defined within an organization structure, with the object of determining and controlling costs and assigning them to appropriate levels and activities. Decentralization of management authority and responsibility will necessitate the development of such a responsibility reporting system in government for each level of management.

62 The present hierarchial pattern of organization in government departments and agencies readily lends itself to a system of respon-

sibility reporting. The pyramiding of data, in the fashion described by the Air Force and referred to earlier in this chapter, illustrates the basic objective that should be sought.

Reporting by Exception

63 An associated technique of reporting embraces the principle of management by exception, which is designed to enable senior managers to concentrate on activities that require improvement. This approach stresses the use of variance analyses, that is to say, a system of measuring reported results against a predetermined plan or yardstick. The efficiency of the month's performance can, accordingly, be quickly analyzed and management action focussed on the trouble spots so revealed. All actual expenditure and revenue data are compared with budgets. Major variances from budgets are highlighted for quick reference. Thus, the considerable effort involved in preparing the annual Estimates has a special value when Estimates are used in conjunction with monthly reports.

Other Requirements

64 Reports that include only partial costs of a programme are inadequate for management purposes. Costs of free services need to be included to show the true costs of operation. Within departments, overhead, as an indirect cost of operation, should also be allocated. Accrual accounting should be fully used to record activities of an operational nature.

65 Financial reports should be timely, concise and easily understood. Most monthly allotment statements are now produced around the fifteenth of the month following. The earlier receipt of reports by management would permit corrective action to be taken more promptly. Accounting and financial personnel should transform all reports into a narrative that will be more meaningful to operating management.

5

THE ESTIMATES AND PUBLIC ACCOUNTS

INTRODUCTION

1 The Estimates and the Public Accounts are the principal financial reports laid before Parliament by the Government of Canada. The Estimates present financial requirements for the forthcoming fiscal year, and the Public Accounts report the spending of funds provided. The form of the Estimates governs that of the Public Accounts. Both documents aid Parliament in controlling the public purse but, of the two, the Estimates are of prime importance.

2 In chapter 2 the present form of the Estimates is examined from the management viewpoint. Major revisions are suggested there to make the Estimates of greater use to Parliament, the Executive and departments, with programme budgeting recommended to provide standards or goals against which performance may be measured.

3 The present form of the Estimates, despite substantial detail, makes it difficult to determine the uses to be made of the funds requested. The various "objects of expenditure", such as overtime, postage, materials

and supplies, are presented systematically in great detail, but the activities of government giving rise to the expenditures are seldom shown. A statistical summarization of the objects on which funds are to be expended can permit arbitrary ceilings to be imposed on total expenditures, but does not provide an adequate basis for assessing marginal activities of departments. Parliament requires information on expenditures by programmes if it is to make any intelligent appraisal of the Executive's spending plans.

4 The parliamentarian is confronted with the same problem when he approaches the Public Accounts. He can find a plethora of details on individual expenditures, but can seldom ascertain the full and complete cost of any activity of government.

5 As the main financial documents issued by the Government of Canada, the Estimates and Public Accounts should conform with the highest standards of financial reporting. The activities of government are now so complex that it is difficult to achieve simplicity in any accounting given to Parliament. How-

ever, this complexity makes it all the more imperative to devise accounting forms that will provide Parliament with the information necessary for effective control over public spending.

THE ESTIMATES

Introduction

6 The Main Estimates for a number of years have had three major sections:

- A general summary of the Estimates, in total, for each department and agency.
- A section presenting the amounts and the legal description of the votes of each department and agency. Statutory expenditures, those not requiring annual parliamentary approval, are forecast and presented individually under the section of the appropriate department or agency.
- A details section which sets forth under each vote the objects on which the funds requested are to be spent.

In addition, a tabular summary by standard objects of expenditure is presented at the end of the Estimates book.

7 Before proceeding to an analysis of the several deficiencies in the Estimates book, the changes incorporated in the Main Estimates for 1962-63 on the recommendation of the Standing Committee on Public Accounts of the House of Commons (1961) merit consideration. These revisions reduced the number of pages from 610 to 470, and the details section for each department or agency is now located immediately behind the listing of the votes of the department or agency concerned, rather than, as in previous years, being grouped in a separate section for all departments. The summary of the departmental Estimates was clarified by revising the presentation of payments to be made out of the Old Age Security Fund. Permanent vote numbers are assigned to each departmental vote, and are

used in both the votes section and the details section.

8 Two major changes were made in the details section. The listing of staff positions under each vote has been simplified by grouping the staff under broad descriptive classifications and showing only the total dollar cost for each vote. Secondly, the approximate value of major services provided free of charge to user departments by other servicing departments is shown in memorandum form—although only by totals for each department or agency.

9 The Committee recognized that there were other possible changes, some of a fundamental nature, but was of the opinion that the implementation of those recommendations upon which there was full agreement should not be delayed. The changes agreed upon are sound, but further revisions would furnish Parliament with more informative details on the government's expenditure programme and, at the same time, assist the Executive in the allocation and control of public funds.

10 The fundamental principle underlying the alternative form of presentation suggested in this chapter is the recommended change from budgeting based on standard objects of expenditure to budgeting based on programmes of activity. Other recommended changes are secondary.

Summary Section

11 A one-page summary at the front of the Estimates book shows for each department the funds to be voted in the Estimates and the total authorized by statutes. These two amounts are totalled and compared with an amount indicated as being comparable for the previous fiscal year, the increase or decrease being set forth in separate columns. The totals for each of these items for all departments are summarized and described as budgetary expenditures. Loans, investments

and advances are shown below, in total, with no breakdown by departments; they are not regarded as budgetary expenditures, although they require parliamentary approval for the funds to be advanced from the Consolidated Revenue Fund. The Old Age Security Fund does not form part of the Consolidated Revenue Fund and the estimated statutory expenditures are accordingly shown separately at the foot of the summary, with a comparison with the previous year.

12 The present form of the summary could be improved in several ways. For example, in the 1962-63 Estimates, the comparative statistics shown for 1961-62 are not as reported in the previous Estimates book, but are revised to include supplementary Estimates to the latest date available. No comparison is made with the actual expenditures for the last completed fiscal year, in this case 1960-61, or with estimated expenditures for the fiscal year then current, 1961-62. This latter information is not given in summary form, even though the details section presents an estimate for most votes based on actual expenditures for seven months and estimated expenditures for the remaining five months.

13 The 1962-63 Estimates would have been more useful if the 1961-62 figures used for comparison had reflected the government's latest forecast for that year. This would mean that, in addition to the Estimates included in the figures now used for comparison, estimated additional supplementary Estimates not yet tabled in Parliament would have to be forecast, as would also the estimated lapsing balances. Lapsing balances, but not anticipated supplementary Estimates, are now forecast for most votes. The final supplementary Estimates often include the deficits of Crown corporations, such as the Canadian National Railways and Trans-Canada Air Lines. These deficits are forecast monthly by the corporations concerned. Both the Executive and Parliament should be aware of these and other supplementaries in review-

ing the Main Estimates for the succeeding year, even though exact forecasts may not be possible. Meaningful comparisons between forecast expenditures for the current year and the Estimates requested for the forthcoming year would be well worth the little extra work involved in the change.

14 In the present form of the summary, expenditures on capital account are not segregated from those on current account. Capital expenditures are often segregated in separate votes, but no summary by department or in total for the government is readily available. This information could be provided in two additional columns. It would be for information only, since no change from the present cash method of budgeting for capital expenditures is recommended. The distinction between capital and current expenditures might be limited to capital items with, say, more than ten years useful life and a value in excess of \$50,000. The cost of some equipment involving substantial expenditures might be charged to a revolving fund and pro-rated over its useful life, where this practice would provide more meaningful information.

15 Since the summary is for information only, the presentation would be simplified by expressing the amounts to the nearest thousand dollars. To illustrate the proposed changes, the suggested form of the "Summary by Departments" is presented in Exhibit 7.

16 Neither the summary now in use, nor that illustrated in Exhibit 7, classifies estimated expenditures on a functional basis. The addition of two tables would provide this useful information. The first table, "Summary by Functions", would have the same columnar headings as the "Summary by Departments", but would classify expenditures under eight major functions and several sub-headings, showing the amount and the percentage of each function in relation to total expenditures. For purposes of the illustration

given in Exhibit 8, the 1961-62 Main Estimates were reclassified, although not on a net basis.

17 The Table "Summary by Functions" could be usefully supported by breaking down each function into the departmental votes making up the total functional cost. Exhibit 9, "Summary by Functions and Services", illustrates the way in which this would be done in connection with the votes which come under the "Transportation and Communications" sub-heading of the "Trade and Industry" function.

Vote Section

18 The vote section of the Estimates sets forth the legal wording and amounts of each vote, compares the estimate with the previous year (computed by following the procedure described in the previous section), and shows the increase or decrease. The wording and the amounts used in the appropriation acts, as approved by Parliament, usually correspond exactly with those used in this section.

19 The wording and form now used in the vote section of the Estimates is illustrated in Exhibit 10 which shows a sample page of the Estimates of the Department of Transport.

20 At the top of the sample page shown in Exhibit 10, a statutory vote, marked (S), appears. Since this outlay has previously been approved by statute on a continuing basis, it is presented for information only, and Parliament does not vote the amount indicated.

21 The division of votes between "Administration, Operation and Maintenance" and "Construction or Acquisition of Buildings, Works, Land and Equipment" is typical of a practice and wording followed throughout the Estimates of many departments. Although, in a few instances, additional words are used to provide authority which might not be provided by this omnibus wording, the description gives only a very limited idea

of the services provided by the vote.

22 The use of a vote to provide authority contrary to other legislation is illustrated by Vote 40 in Exhibit 10. The wording of this vote permits the department to enter into contracts even when there are not sufficient unencumbered funds in a vote already approved or before the House of Commons. Section 30 of the Financial Administration Act would otherwise limit the ability of a department to make contractual commitments requiring expenditures in subsequent fiscal years.

23 Another use of the Estimates for legislative purposes can be seen by referring to a vote in the supplementary Estimates for 1961-62. Vote 546 of the Estimates of the Department of National Defence reads:

To authorize the Treasury Board to make regulations respecting the counting as pensionable service, for the purposes of the Canadian Forces Superannuation Act, of any period not otherwise countable as such . . . \$1.

This authority could have been given alternatively by amending the appropriate Act, instead of including it in the Estimates. In some instances, this practice is convenient and reasonable, although it may make difficult the presentation of the Estimates in a manner which expedites their review and approval.

24 It is recommended earlier in this report that the number of votes be reduced to facilitate programme budgeting. The votes of the Marine Services Division of the Department of Transport illustrate the simplification that is possible. The eleven votes in Exhibit 10 could be combined into four, as illustrated in Exhibit 11.

25 The revised wording produces a less voluminous, simpler, clearer presentation and yet, when taken in conjunction with the revisions in the details section proposed next, no less informative.

Exhibit 7—SUGGESTED FORM FOR SUMMARY BY DEPARTMENTS

MAIN ESTIMATES FOR 1962-63 COMPARED WITH FORECAST EXPENDITURES FOR 1961-62—SUMMARY BY DEPARTMENTS							
Main Estimates 1962-63			Main Estimates 1962-63				
Ordinary	Capital	Department	To be voted (Net)	Statutory	Total	Forecast for 1961-62	Increase or (Decrease)
(thousands of dollars)							
—	—	Agriculture.....	—	—	—	—	—
—	—	Atomic Energy.....	—	—	—	—	—
—	—	Veterans Affairs.....	—	—	—	—	—
—	—	Totals of above.....	—	—	—	—	—
		Canadian National Railways deficit.....				—	—
		Trans-Canada Airlines deficit.....				—	—
		Agricultural Commodities Stabilization Account.....				—	—
—	—	Total Budgetary Expenditures.....	—	—	—	—	—
		Loans, Investments and Advances.....	—	—	—	—	—
		Old Age Security Fund.....	—	—	—	—	—
		Total Expenditures.....	—	—	—	—	—
Reconciliation of Forecast for 1961-62 (thousands of dollars)							
Main Estimates.....						—	
Supplementaries previously tabled.....						—	
Estimated additional supplementaries.....						—	
						—	
Estimated lapsing balances.....						—	
Total Forecast.....						—	

MAIN ESTIMATES FOR 1961-62—COMPARED WITH FORECAST EXPENDITURES FOR 1960-61—SUMMARY BY FUNCTIONS

Main Estimates 1961-62		Function No.		Main Estimates 1961-62		Forecast for 1960-61	
Ordinary	Capital			To be voted (Net)	Statutory	Total	Increase or (Decrease)
(thousands of dollars)							
01 NATIONAL SECURITY:							
1,229,295	389,131			1,555,031	63,395	1,618,426	1,564,274
22,690	—			22,690	—	22,690	26,764
1,251,985	389,131			1,577,721			54,152
20.8%	54.0%			44.1%	2.0%	24.4%	(4,074)
Sub-Total				1,591,038			50,078
Percentage of Total				44.1%			24.6%
02 INTERNATIONAL AFFAIRS:							
86,792	1,242			87,998	36	88,034	92,496
1.4%	.2%			2.5%	—	1.3%	(4,462)
Percentage of Total				2.5%			1.4%
03 VETERANS PENSIONS AND BENEFITS:							
284,091	6,469			287,860	2,700	290,560	290,852
4.7%	.9%			8.0%	.1%	4.3%	(292)
Percentage of Total				8.0%			4.5%
04 HEALTH AND SOCIAL WELFARE:							
1,283,426	—			1,283,426			1,249,132
343,792	—			343,792			34,294
13,315	438			13,753			9,549
7,659	199			7,858			11,877
5,659	5,331			11,000			7,419
1,717,641	5,961			1,723,602			7,332
28.6%	.8%			49.3%	—	25.6%	3,658
Sub-Total				1,553,426			1,584,806
Percentage of Total				49.3%			24.5%
05 TRADE AND INDUSTRY:							
416,156	176,009			526,076	66,089	592,165	543,336
3,676	551			4,227	—	4,227	48,829
10,830	32,764			43,594	—	43,594	3,681
10,026	—			10,026	42	140,090	120,095
91,126	23,990			115,116	62,180	110,021	155,953
14,820	1,429			16,249	—	115,116	(45,932)
743,125	234,743			849,480	77	16,249	108,945
12.4%	32.6%			23.7%	—	14,919	6,171
773,124	—			773,124			1,330
12.9%	—			24.6%			30,939
Sub-Total				977,868			946,929
Percentage of Total				4.1%			14.6%
06 DEBT CHARGES:							
773,124	—			773,124			797,456
12.9%	—			24.6%			(24,332)
Percentage of Total				24.6%			12.3%
07 GENERAL GOVERNMENT:							
543,354	—			543,354			533,420
24,700	—			24,700			9,934
84,830	11,017			88,964	537,354	24,700	24,450
103,638	16,472			120,110	—	24,700	250
79,103	30,810			109,913	10,883	95,847	85,205
294,528	24,087			318,615	120,110	109,913	10,642
1,130,153	82,386			1,212,539	1,563	102,462	7,451
18.8%	1.4%			18.0%	58,304	285,220	33,395
22,836	654			604,435			604,435
1.4%	.1%			19.3%			17.7%
6,009,742	720,586			6,730,328	608,104	1,212,539	1,142,011
100.0%	100.0%			100.0%	19.3%	18.0%	17.7%
Percentage of Total				19.3%			17.7%
08 OTHER EXPENDITURES:							
22,836	654			4,083	19,402	23,485	22,685
1.4%	.1%			.1%	.6%	.3%	.4%
6,009,742	720,586			6,730,328	3,148,575	6,730,328	6,468,273
100.0%	100.0%			100.0%	100.0%	100.0%	262,055
Percentage of Total				100.0%			100.0%
TOTAL EXPENDITURES:							
3,581,753	—			3,581,753			67,842
100.0%	—			100.0%			2,607
Percentage of Total				100.0%			70,449
Add: Transportation and communications:							
Canadian National Railways Deficit.....				—	—	—	69,504
Trans-Canada Airlines Deficit.....				—	—	—	—
Conservation and development of natural resources:							
Agricultural Commodities Stabilization Account.....				—	—	—	6,608,226
TOTAL EXPENDITURES.....				3,581,753	3,148,575	6,730,328	6,608,226

Exhibit 9—SUGGESTED FORM FOR PRESENTING SUMMARY BY FUNCTIONS AND SERVICES

MAIN ESTIMATES FOR 1961-62 COMPARED WITH FORECAST EXPENDITURES FOR 1960-61—SUMMARY BY FUNCTIONS AND SERVICES

Main Estimates 1961-62		Page No.	TRADE AND INDUSTRY—TRANSPORTATION AND COMMUNICATIONS	Main Estimates 1961-62			Forecast for 1960-61	Increase or (Decrease)	
Ordinary	Capital			To Be Voted (Net)	Statutory	Total			
(thousands of dollars)									
Services									
Department of Transport:									
3,384	12		Departmental administration	3,396	—	3,396	3,057	339	
34,571	28,821		Marine services	63,392	—	63,392	48,372	15,020	
25,321	7,031		Railway and steamship services	32,352	—	32,352	30,562	1,790	
114	—		Pensions and other benefits	114	—	114	102	12	
77,808	77,551		Air services	155,359	—	155,359	137,395	17,964	
551	—		Air Transport Board	551	—	551	592	(41)	
18,338	—		Board of Transport Commissioners	6,249	12,089	18,338	23,277	(4,939)	
6,636	—		Canadian Maritime Commission	6,636	—	6,636	6,744	(108)	
200	5,990		National Harbours Board	6,190	—	6,190	800	5,390	
960	163		St. Lawrence Seaway Authority	1,123	—	1,123	2,143	(1,020)	
167,883	119,568		Sub-Total	275,362	12,089	287,451	253,044	34,407	
Post Office Department:									
2,174	—		Departmental administration	2,174	—	2,174	2,073	101	
118,936	2,104		Operations, including administration	121,040	—	121,040	113,807	7,233	
64,031	150		Transportation—movement of mail by land, air and water, including administration	64,181	—	64,181	63,000	1,181	
185,141	2,254		Sub-Total	187,395	—	187,395	178,880	8,515	
Department of Public Works:									
—	6,027		Construction, acquisition, major repairs and improvements etc.—public buildings	6,027	—	6,027	7,775	(1,748)	
7,794	36,297		Harbours and rivers engineering services	44,091	—	44,091	38,153	5,938	
55,338	11,863		Development engineering services	13,201	54,000	67,201	65,484	1,717	
63,132	54,187		Sub-Total	63,319	54,000	117,319	111,412	5,907	
416,156	176,009		Total	526,076	66,089	592,165	543,336	48,829	

Exhibit 10—PRESENT FORM OF VOTE SECTION OF THE MAIN ESTIMATES

ESTIMATES, 1962-63					
TRANSPORT					
No. of Vote	Service	1962-63	1961-62	Change	
				Increase	Decrease
		\$	\$	\$	\$
	A—DEPARTMENT				
(S)	Minister of Transport—Salary and Motor Car Allowance (Details, page 399).....	17,000	17,000		
1	Departmental Administration (Details, page 399).....	3,703,400	3,443,285	260,115	
	MARINE SERVICES				
5	Marine Services Administration, including Agencies (Details, page 400).....	1,150,600	1,032,610	117,990	
10	Aids to Navigation— Administration, Operation and Maintenance including fees for membership in the International Organizations listed in the Details of the Estimates (Details, page 401).....	6,410,300	6,380,090	30,210	
15	Construction or Acquisition of Buildings, Works, Land and Equipment (Details, page 402).....	6,870,000	5,290,000	1,580,000	
20	Canals— Administration, Operation and Maintenance (Details, page 402).....	2,571,700	2,398,550	173,150	
25	Construction or Acquisition of Buildings, Works, Land and Equipment including payments to Provinces or Municipalities as contributions towards construction done by those bodies (Details, page 403).....	2,210,700	1,850,230	360,470	
30	St. Lawrence and Saguenay Rivers Ship Channels— Administration, Operation and Maintenance (Details, page 403).....	1,151,600	1,062,255	89,345	
35	Construction or Acquisition of Buildings, Works, Land and Equipment (Details, page 404).....	4,850,000	4,952,000		102,000
40	Canadian Marine Service— Administration, Operation and Maintenance including authority, notwithstanding section 30 of the Financial Administration Act, to make commitments for the current fiscal year not to exceed a total amount of \$23,394,000 (Details, page 405).....	22,222,500	20,097,522	2,124,978	
45	Construction or Acquisition of Ships and Equipment (Details, page 406).....	16,500,000	14,500,000	2,000,000	
50	Marine Regulations including Pilotage and Marine Reporting Services— Administration, Operation and Maintenance including grants and contributions as detailed in the Estimates (Details, page 406).....	3,281,800	3,602,617		320,817
55	Construction or Acquisition of Buildings, Works, Land and Equipment (Details, page 409).....	1,449,800	2,229,000		779,200
		68,669,000	63,394,874	5,274,126	

Exhibit 11—SUGGESTED FORM OF VOTE SECTION OF THE MAIN ESTIMATES

ESTIMATES, 1962-63 TRANSPORT						
Main Estimates 1962-63		Vote No.	Page No.	Services	1962-63	1961-62
Ordinary	Capital				Estimated	Forecast
\$	\$				\$	\$
				Marine Services:		
—	—	401	4	Administration	—	—
—	—	402	6	Operation and Maintenance	—	—
—	—	403		Capital	—	—
—	—	404		Grants, Contributions and pensions	—	—

Details of Services Section

26 The details now shown for a typical vote, not of a capital nature, are illustrated by the example in Exhibit 12 which was taken from the Main Estimates, 1962-63, of the Department of Transport. These details, based on standard objects of expenditure, are primarily valuable for statistical purposes. It is doubtful whether this information is necessary in the Estimates but, if so, a tabulation at the end of each departmental section would be more concise and equally useful.

27 The same vote, including other administrative costs now spread over other votes, could be presented as illustrated in Exhibit 13. An operating vote could be presented in the form illustrated in Exhibit 14.

28 Turning now to capital votes, an example of the current uninformative type of presentation can be seen by reference to Exhibit 15: No further information on this vote is provided. Furthermore, if the estimated expenditures for 1961-62 (\$4,000,000) are set against the figures used for comparative purposes in

1961-62 (\$5,290,000), the present inadequacies can be clearly appreciated.

29 An example of a better, but still not sufficiently informative, presentation of the details of a capital vote can be taken from the Estimates of the same department, as shown in Exhibit 16.

30 Considerable improvement in the presentation could be achieved if all the capital votes of Marine Services were combined in one vote and shown in the manner illustrated in Exhibit 17.

31 Where large projects are included in capital votes, but only a portion of the total cost is requested in the vote before the House, more supporting detail is necessary. Total estimated cost, past expenditures and future anticipated expenditures should be noted as in Exhibit 17.

32 Exhibit 18 shows the manner in which the details of the new vote for grants, contributions and pensions might be presented.

Exhibit 12—PRESENT FORM OF DETAILS SECTION OF THE MAIN ESTIMATES—NON CAPITAL VOTE

ESTIMATES, 1962-63				
Positions (man-years)		Details of Services	Amount	
1962-63	1961-62		1962-63	1961-62
		MARINE SERVICES		
		<i>Vote 5—Marine Services Administration, including Agencies</i>		
		Salaried Positions:		
		Administrative and Professional:		
1	1	Senior Officer 3 (\$16,500–\$18,000).....		
1	1	Senior Officer 1 (\$14,000–\$15,000).....		
2	1	(\$10,000–\$12,000).....		
8	9	(\$ 8,000–\$10,000).....		
22	10	(\$ 6,000–\$ 8,000).....		
		Technical Operational and Service:		
1	1	(\$ 8,000–\$10,000).....		
4	2	(\$ 6,000–\$ 8,000).....		
29	28	(\$ 4,000–\$ 6,000).....		
35	35	(Under \$4,000).....		
		Clerical:		
77	79	(\$ 4,000–\$ 6,000).....		
70	67	(Under \$4,000).....		
2	2	(Part Time).....		
252	236			
(251)	(235)	Continuing Establishment.....	1,062,075	950,890
(1)	(1)	Casuals and Others.....	2,700	2,700
(252)	(236)	Salaries and Wages.....(1)	1,064,775	953,590
		Overtime.....(1)	6,000	5,000
		Allowances.....(2)	1,800	1,620
		Travelling and Removal Expenses.....(5)	23,000	16,000
		Freight, Express and Cartage.....(6)	1,325	900
		Postage.....(7)	6,600	6,000
		Telephones and Telegrams.....(8)	22,000	22,000
		Office Stationery, Supplies and Equipment.....(11)	17,000	17,000
		Materials and Supplies.....(12)	5,000	5,000
		Rental of Buildings.....(15)		2,400
		Municipal or Public Utility Services.....(19)	2,125	2,125
		Sundries.....(22)	975	975
			1,150,600	1,032,610
		<i>Expenditure</i>		
		1959–60.....\$ 837,681		
		1960–61.....998,400		
		1961–62 (estimated).....1,080,000		

MAIN ESTIMATES FOR 1962-63

COMPARED WITH FORECAST EXPENDITURES FOR 1961-62

SERVICES—TRANSPORT

Vote No. 401

Marine Services—Administration (to be voted).....

\$

Salaries and other administrative costs of the headquarters establish-

ments and offices outside Ottawa.

Details	1962-63 Estimate	1961-62 Forecast	Increase or (Decrease)
	\$	\$	\$
<i>Programme by Activities—</i>			
Marine Services Administration.....	—	—	—
Aids to Navigation.....	—	—	—
Canals.....	—	—	—
Ships Channels.....	—	—	—
Canadian Marine Service.....	—	—	—
Marine Regulations—Montreal.....	—	—	—
— Pilotage.....	—	—	—
Steamship Inspection.....	—	—	—
Total Programme Cost.....	—	—	—
Consisting of—			
Salaries and Wages.....	(—) —	(—) —	(—) —
Other Expenditures.....	—	—	—
<i>Less: Recoveries from other departments or agencies.....</i>	—	—	—
<i>Less: Associated revenues.....</i>	—	—	—
Total Programme Cost.....	—	—	—

N.B.—The amounts shown in brackets represent the number of staff positions authorized, expressed in man-years.

Exhibit 14—SUGGESTED FORM OF DETAILS SECTION OF MAIN ESTIMATES—OPERATION AND MAINTENANCE VOTE

MAIN ESTIMATES FOR 1962-63 COMPARED WITH
FORECAST EXPENDITURES FOR 1961-62—SERVICES—TRANSPORT

Vote No. 402

Marine Services—Operation and Maintenance (to be voted)..... \$ _____

Aids to Navigation is responsible for operation and maintenance of lighthouses, lights, lightships, fog alarms, buoys and beacons for coastal areas and the inland and Great Lakes waterways. Aids maintained consist of 4 lightships; 3022 lights of various types, 1259 light and signal buoys; 428 fog signals, 10,449 other miscellaneous floating aids.

Provision is made for the daily operation and continued running maintenance of the various Canals comprising the Secondary Canal System, which includes 110 locks and associated structures, such as supply and waste weirs; buildings; roads; 109 movable bridges; numerous fixed bridges; docks; wharves; and reaches. This comprises the Rideau, Trent, Murray, Carillon-Grenville, Chambly, Ste. Anne, St. Ours, Canso and St. Peters Canals.

<i>Details</i>	<i>1962-63 Estimate</i>	<i>1961-62 Forecast</i>	<i>Increase or (Decrease)</i>
<i>Programme by Activities—</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Aids to Navigation:			
Removal of Obstructions.....	—	—	—
Repairs to Wharves.....	—	—	—
Agencies.....	—	—	—
Canals	—	—	—
Nova Scotia.....	—	—	—
Quebec.....	—	—	—
Rideau.....	—	—	—
Trent and Murray.....	—	—	—
Pilotage Districts			
St. John's, Nfld.....	—	—	—
Labrador.....	—	—	—
Total Programme Cost.....	—	—	—
Consisting of—			
Salaries and Wages.....	(—) —	(—) —	(—) —
Other Expenditures.....	—	—	—
Less: Recoveries from other departments or agencies.....	—	—	—
Less: Associated revenues.....	—	—	—
Total Programme Cost.....	—	—	—

Exhibit 15—PRESENT FORM OF DETAILS SECTION OF MAIN ESTIMATES. CAPITAL VOTE

ESTIMATES, 1962-63				
Positions (man-years)		Details of Services	Amount	
1962-63	1961-62		1962-63	1961-62
		<i>Vote 15—Aids to Navigation—Construction or Acquisition of Buildings, Works, Land and Equipment</i>	\$	\$
		Construction or Acquisition of Buildings, Works and Land.....(13)	7,233,500	5,418,850
		Construction or Acquisition of Equipment.....(16)	952,620	730,360
			8,186,120	6,149,210
		<i>Less: Anticipated Lapses.....(34)</i>	1,316,120	859,210
			6,870,000	5,290,000
		<i>Expenditures</i>		
		1959-60.....\$ 3,965,422		
		1960-61.....2,630,403		
		1961-62 (estimated).....4,000,000		

Exhibit 16—PRESENT FORM OF DETAILS SECTION OF MAIN ESTIMATES—MORE DETAILED
CAPITAL VOTE

ESTIMATES, 1962-63				
Positions (man-years)		Details of Services	Amount	
1962-63	1961-62		1962-63	1961-62
		A—DEPARTMENT (<i>Continued</i>)	\$	\$
		MARINE SERVICES (<i>Continued</i>)		
		<i>Vote 45—Canadian Marine Service— Construction or Acquisition of Ships and Equipment</i>		
		Light Icebreaker, Lighthouse Supply and Buoy Vessel for service in the Maritimes (Estimated Cost \$5,000,000).....	575,000	
		TripleScrewIcebreaker (Estimated Cost \$15,000,000)	1,500,000	1,320,000
		Cable Repair Vessel and Icebreaker (Estimated Cost \$9,000,000).....	2,400,000	2,100,000
		Lighthouse Supply and Buoy Vessel, Sorel, Quebec Agency ("Vercheres" replacement) (Estimated Cost \$1,000,000).....	525,000	1,140,000
		Lighthouse Supply and Buoy Vessel, Prescott, On- tario Agency ("Grenville" replacement) (Esti- mated Cost \$2,100,000).....	908,955	1,960,000
		Workboat, Prescott, Ontario Agency (Estimated Cost \$500,000).....	300,000	160,000
		Workboat, Prince Rupert, British Columbia Agency (Estimated Cost \$900,000).....	600,000	320,000
		Workboat, Mackenzie River, Northwest Territories (Estimated Cost \$310,000).....	279,000	187,500
		Two Weatherships, West Coast (Replacements for "Stonetown" and "St. Catharines") (Estimated Cost \$18,000,000).....	4,800,000	2,800,000
		Depot Ship for Northern Transportation (Estimated Cost \$3,000,000).....	2,200,000	1,450,000
		Eight Marine Service Cutters, 2 each for service on the East and West Coasts, and 4 on the Great Lakes (Estimated Cost \$4,217,000).....	2,205,000	2,785,000
		Lightering Equipment for Northern Re-supply Operations.....	50,000	50,000
		Plans, Specifications, Research and associated Pro- fessional Services for ships to meet future require- ments.....	350,000	200,000
		Provision for commencing of construction of two ships as replacements or additions to the Fleet....	500,000	
		Construction or acquisition of Equipment.....	150,000	150,000
		Items not required for 1962-63.....		767,500
			17,342,955	15,390,000
		Less—Anticipated Lapses.....	842,955	890,000
		(16)	16,500,000	14,500,000
		<i>Expenditure</i>		
		1959-60.....\$ 16,015,748		
		1960-61.....5,044,260		
		1961-62 (estimated).....4,095,970		

MAIN ESTIMATES FOR 1962-63
COMPARED WITH FORECAST EXPENDITURES FOR 1961-62
SERVICES—TRANSPORT

Vote No. 403

Marine Services—Capital (to be voted)..... \$ —

Aids to Navigation includes provision for construction of lighthouses, lighthouse piers, lightkeepers' dwellings, fog alarm buildings, breakwaters, seawalls, beacons, access roads and similar capital items required by the Lighthouse Service. Many of the Agency Depot establishments are very old and inadequate to handle present day needs for docking facilities for Departmental Ships, and Agency Stores, Shops and office requirements. The Department has a programme of major reconstruction of Agency Depot-facilities and this includes the construction of permanent type wharf and dock facilities and the construction of modern office Stores and Shops buildings. There is also a programme for constructing major Lightstation piers to replace Lightships that are presently in service. This will not only provide more reliable aids to navigation but will result in a considerable reduction in operational costs. Provision is made for new machinery and shop equipment buoys, cranes, motorboats, tools and other movable equipment. The Department has a programme of bringing the marking of Newfoundland waters to the standard of other Canadian waters.

Details	1962-63 Estimate	1961-62 Forecast	Increase or (Decrease)
	\$	\$	\$
Programme by Activities—			
Aids to Navigation:			
Agency Depots—Wharves and Buildings.....	—	—	—
Dwellings.....	—	—	—
Lighthouse Piers, Lights, Towers and Ranges....	—	—	—
Other.....	—	—	—
	—	—	—
Canals:			
Lock Structures.....	—	—	—
Bridges.....	—	—	—
Other.....	—	—	—
	—	—	—
Ship Channels:			
Channel Dredging—St. Lawrence and Saguenay Rivers.....	—	—	—
Hydraulic Model of the Non-Tidal section of the St. Lawrence River.....	—	—	—
	—	—	—

Exhibit 17—SUGGESTED FORM OF DETAILS SECTION OF MAIN ESTIMATES—CAPITAL VOTE—*Conc.*

Marine Regulations—Steamship Inspection			
Marine Haul-out and Wharf.....	—	—	—
Total Programme Cost.....	—	—	—
Consisting of—			
Other Expenditures.....	—	—	—

<i>Forward Commitments</i>	<i>Total</i>			
	<i>Estimated</i>	<i>Expenditure</i>	<i>Estimate</i>	<i>Future</i>
	<i>Cost</i>	<i>to 1961-62</i>	<i>1962-63</i>	<i>Years</i>
<i>Aids to Navigation</i>	\$	\$	\$	\$
Charlottetown Agency Depot—Reconstruction.....	—	—	—	—
Dartmouth, N.S. Agency Depot—Wharf extension.....	—	—	—	—
Saint John, N.B. Agency Depot—Reconstruction.....	—	—	—	—
Quebec Agency Prince Shoal, P.Q.—Lighthouse pier.....	—	—	—	—
Quebec—Wharf reconstruction.....	—	—	—	—
Prescott Agency Depot—Office, stores and shops building.....	—	—	—	—
South East Bend Pier and range lights.....	—	—	—	—
Beauharnois Canal—Pier lights.....	—	—	—	—
Prince Rupert Agency Depot—Reconstruction.....	—	—	—	—
Miscellaneous projects whose total estimated cost is less than \$250,000	—	—	—	—
Less: Services which may not be carried out during the year.....	—	—	—	—
<i>Canals</i>	—	—	—	—
Trent Canal—Big Chute and Swift Rapids Navigation Facilities.....	—	—	—	—
Miscellaneous projects whose total estimated cost is less than \$250,000	—	—	—	—

<i>Marine Regulations—Steamship Inspection</i>			
Miscellaneous projects whose total estimated cost is less than \$250,000	—	—	—
Total Programme Cost.....	—	—	—

Exhibit 18—SUGGESTED FORM OF DETAILS SECTION OF MAIN ESTIMATES—GRANTS,
CONTRIBUTIONS AND PENSIONS

MAIN ESTIMATES FOR 1962-63
COMPARED WITH FORECAST EXPENDITURES FOR 1961-62
SERVICES—TRANSPORT

Vote No. 404

Marine Services—Grants, Contributions and Pensions (to be voted)..... \$ —

Courses in navigation, engineering and seamanship are provided on a shared-cost basis with provincial authorities to prepare candidates for examinations leading to certificates of competency as first and second mates, masters and marine engineers.

Grants are made to organizations at coast and inland ports for the maintenance of welfare facilities for seamen. These missions or hostels provide recreation facilities, meals and lodging, at nominal cost, and otherwise assists seamen during the navigation season. These organizations are non-denominational and provide an essential service in Canada.

The object of subsidizing a salvage company at Montreal is to ensure that a sufficiently efficient plant is maintained to render prompt and effective aid to vessels in distress in the St. Lawrence River and on the East Coast of Canada. The contractor undertakes to maintain efficient modern salvage vessels and equipment and competent personnel in constant readiness from immediately after opening of navigation in the River and Gulf of St. Lawrence until immediately before the close of navigation.

A nominal amount is provided annually for awards to crews of lifeboats, and others for the saving of life from vessels in distress on the coasts of Canada.

Membership fees of minor amount cover the department's participation in the International Association of Lighthouse Authorities and the permanent International Association of Navigation Congresses both of which are of benefit to departmental marine engineers.

Details	1962-63 Estimate	1961-62 Forecast	Increase or (Decrease)
	\$	\$	\$
Programme by Activities—			
Courses in Navigation, Engineering and Steamship—			
Provincial Education Authorities:			
Province of Newfoundland.....	—	—	—
Province of Nova Scotia.....	—	—	—
Province of Quebec.....	—	—	—
Province of British Columbia.....	—	—	—
Institutions Assisting Sailors.....	—	—	—
Salvage Subsidy—Foundation Maritime Limited.....	—	—	—
Pensions to former pilots.....	—	—	—
Miscellaneous.....	—	—	—
Total Programme Cost.....	—	—	—
Consisting of—			
Other expenditures.....	—	—	—

Exhibit 19—PRESENT FORM OF ALLOCATING INTERDEPARTMENTAL COSTS

TRANSPORT				
Positions (man-years)		Details of Services	Amount	
1962-63	1961-62		1962-63	1961-62
		A - DEPARTMENT	\$	\$
		<i>Approximate Value of Major Services Not Included in These Estimates</i>		
		Accommodation (provided by the Department of Public Works).....	1,750,000	
		Accommodation (in this Department's own build- ings).....	5,300,000	
		Accounting and cheque issue services (Comptroller of the Treasury).....	890,200	
		Contributions to Superannuation Account (Depart- ment of Finance).....	3,807,800	
		Employee surgical-medical insurance premiums (Department of Finance).....	408,000	
		Employee compensation payments (Department of Labour).....	245,500	
		Carrying of franked mail (Post Office Department)...	166,600	
			12,568,100	

Exhibit 20—PRESENT FORM OF SHOWING ASSOCIATED REVENUES

	<i>Expenditure</i>	<i>Revenue</i>
1959-60.....	\$5,911,916	\$889,732
1960-61.....	7,497,815	972,615
1961-62 (est.).....	6,527,275	975,000

33 Services provided by other departments at no charge to the users are now presented at the beginning of the details section, without any further identification with the vote or activity of the department using the services. An illustration from the Department of Transport Estimates is shown in Exhibit 19.

34 Where revenues are derived directly from the services provided, as shown below in the sample illustration from the vote for "Aids

to Navigation”, revenue figures for the current and two preceding years are presented alongside the expenditure (see Exhibit 20).

35 Programme budgeting requires that services now provided free be charged to the user departments, and that revenues directly derived from an activity of government be offset against its costs. Therefore, the above information would no longer be required in the form now in use. Instead, the gross cost of the

services authorized by the vote would be disclosed in the details of each vote, with salaries and wages being segregated from all other costs. The numbers of staff positions related to the estimate of salaries and wages would also be shown. Recoveries from other departments and agencies, together with associated revenues which the department is permitted to offset, would be set out separately. The resultant net cost would correspond with the total programme costs estimated. Exhibit 13 depicts the way in which these amounts could be presented.

Conclusion

36 The standard objects of expenditure, on which the present form of the Estimates is based, are of almost no value for financial control, and the proposed presentation by programmes would better serve this purpose. As now presented the Estimates tell Parliament only where the money is going; the recommended revision would also show why the money is needed. All activities of government would be disclosed as separate programmes. Programmes of like nature would be grouped under one vote. Votes of a similar functional nature would be consolidated in the "Summary by Functions and Services", and the total would be presented in the "Summary by Functions". Thus the parliamentarian would be in a position to analyze the Estimates, proceeding progressively from informative detail on each programme to meaningful global totals.

PUBLIC ACCOUNTS

Public Accounts for 1960-61

37 In 1961, the Standing Committee on Public Accounts reported that it had reviewed the form of the Public Accounts "from the standpoint of clarity, conciseness, and attractiveness of presentation" and "from the standpoint of the necessity or relative importance of the material and the advisability

of including it in the Public Accounts rather than in other documents such as annual departmental reports to the House of Commons". Changes recommended by the Committee have been incorporated in the Public Accounts for 1960-61. For the first time the Public Accounts were presented in three volumes, as follows:

	<i>No. of Pages</i>
Vol. I Summary Report and Financial Statements	246
Vol. II Details of Expenditures and Revenues	926
Vol. III Financial Statements of Crown Corporations	146
	<hr/> 1,318 <hr/>

38 The Public Accounts were improved by the changes, but acceptance of the proposed new form of the Estimates would make further improvements possible. However, the explanatory sections for each vote in the Estimates would not need to be repeated in the Public Accounts.

39 Furthermore, excessively detailed listings are now given of payments to members of the Senate and the House of Commons, to civil servants receiving \$8,000 or more per annum, and to suppliers and contractors paid \$5,000 or over (\$25,000 in the case of National Defence). This parochial practice is expensive and has outlived any usefulness.

40 Details of items not shown separately in the Estimates should be presented only to explain significant variations between appropriations and expenditures, or between revenues forecasted and realized. Unless the following information is sufficiently important to be detailed in the Estimates, it should be deleted from the Public Accounts:

- (a) Allotments maintained solely for operating purposes
- (b) Construction and other contracts
- (c) Purchases of land
- (d) Grants and other assistance payments
- (e) Listings of other payments, including salaries,

travelling expenses, professional fees, educational leave, names of suppliers and contractors.

41 In 1961, it was estimated before the Public Accounts Committee that the compilation, typing, editing, proof reading and translation of the Public Accounts represented 34,000 man-hours of work, or roughly 17 man-years at an estimated cost of about \$93,500; in addition the cost of printing was over \$62,000.

42 The Public Accounts is not a control document, but a means of reporting to Parliament on the financial stewardship of departments and the Executive, and on the essential facts about the national finances. The incorporation of much of the detail now included cannot be justified on the grounds that the publication of such information acts as a restraint on individuals in the public service. The remedy lies in a revision of existing internal controls. The Auditor General's report on extravagance and abuses within the public service is more likely to be effective.

43 The form of the Public Accounts should be clear and uncluttered. Details should not be permitted to obscure matters of real importance. The present form lays such stress on details that it is exceedingly difficult to separate the wheat from the chaff.

44 The annual reports of departments and agencies include financial statements, but these do not often duplicate the Public Accounts since they reflect the natural divisions of departments. The statements of many agencies and at least one department are prepared on an accrual basis. These annual reports often have narrative and statistical detail supporting the financial information in order to explain the department's programmes.

45 In the Public Accounts, greater use should be made of tables, with explanatory notes where necessary, to aid interpretation.

Statement of Assets and Liabilities

46 The Public Accounts include "a statement, certified by the Auditor General, of such of the assets and liabilities of Canada as, in the opinion of the Minister, are required to show the financial position of Canada as at the termination of the fiscal year". The Statement as at March 31, 1961 is shown in Exhibit 21.

47 This Statement corresponds to the balance sheet of a commercial undertaking, but it is not a true balance sheet for the following reasons:

- (a) Many current assets are not included, such as accounts receivable, arrears of assessed taxes, interest receivable, equipment, stores and materials, except to the extent that these form part of advances or loans or revolving funds.
- (b) Fixed assets are carried at a nominal value of \$1.00.
- (c) The liabilities include deferred revenues from the sale of Crown-owned land, buildings, machinery and equipment, and offsetting credits to other asset accounts; also, the undisbursed balances of appropriations to special accounts, e.g. the \$67.5 million in the Colombo plan fund at March 31, 1961.
- (d) The Statement balances only because of the insertion of a balancing item which is termed Net Debt, represented by the excess of liabilities over net assets.

48 Net Debt has come to be regarded by the public as a significant figure. However, in arriving at the Net Debt, the assets deducted from liabilities include deferred expenditures such as the "unamortized portion of actuarial deficiencies" in superannuation funds, and assets which are not fully self-supporting or realizable: for example, loans to the National Capital Commission on which interest is paid out of appropriations made expressly for that purpose. Further, the assets include advances to the Canadian National Railways, which in 1961 had a deficit before the payment of fixed charges. Since legislation directs that the deficit is to be paid by the government, it follows that these advances are dubious assets.

PUBLIC ACCOUNTS, 1960-61

THE GOVERNMENT OF CANADA
STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 1961
(with comparative figures as at March 31, 1960)

ASSETS

	March 31, 1961	March 31, 1960	Net increase or decrease (+ -) during 1960-61
1. Current assets—			
(a) Cash—schedule A, page 102	\$ 486,759,770	\$ 565,476,461	78,716,691
(b) Departmental working capital advances and revolving funds, schedule B, page 102	171,082,579	196,010,004	24,927,425
(c) Securities held for the securities investment account at amortized cost	101,453,744	77,862,926	23,590,818
(d) Other current assets, schedule C, page 103	25,011,444	22,817,201	2,194,243
	784,347,537	862,146,592	-77,798,055
2. Advances to the exchange fund account (value of investments from advances on basis of closing exchange rates: March 31, 1961, \$1,369,917,821; March 31, 1960, \$1,746,985,385)	2,024,000,000	1,640,000,000	484,000,000
3. Sinking fund and other investments held for retirement of unamortized debt, schedule D, page 106	17,017,981	85,272,710	-68,254,729
4. Loans to, and investments in, Crown corporations, schedule E, page 109	3,627,733,196	3,446,661,546	181,071,650
5. Loans to national governments, schedule F, page 117	1,378,196,197	1,414,527,922	-36,331,725
6. Other loans and investments, schedule G, page 118—			
(a) Subscriptions to capital of, and working capital advances and loans to, international organizations	631,126,992	605,174,878	25,952,114
(b) Loans to provincial governments	84,827,019	90,396,788	-5,569,769
(c) Veterans' land act advances (less reserve for conditional benefits)	188,092,206	151,826,032	36,266,174
(d) Miscellaneous	140,059,940	87,273,714	52,786,226
	1,022,105,807	934,471,412	87,634,395
7. Securities held in trust, schedule H, page 123	30,042,201	30,611,723	-569,522
8. Deferred charges—			
(a) Unamortized portions of actuarial deficiencies—			
Canadian Forces superannuation account	326,300,000	326,300,000	
Public service superannuation account	276,641,500	139,000,000	137,641,500
(b) Unamortized loan flotation costs, appendix No. 7, page 232	130,741,728	130,993,027	-252,299
	733,702,728	616,293,027	117,409,701
9. Suspense accounts, schedule I, page 134	136,101	33,300	102,801
10. Capital assets	1	1	
11. Inactive loans and investments, schedule J, page 134	94,824,381	93,539,317	1,285,064
TOTAL ASSETS	9,712,105,930	9,443,557,072	268,548,858
12. Less: Reserve for losses on realization of assets	-546,384,065	-546,384,065	
NET ASSETS	9,165,721,865	8,897,173,007	268,548,858
13. Net debt, represented by excess of liabilities over net assets, schedule K, page 134	12,437,115,095	12,089,194,063	347,921,032
	21,002,836,960	20,986,367,010	16,469,950

PUBLIC ACCOUNTS, 1960-61

LIABILITIES

	March 31, 1961	March 31, 1960	Net increase or decrease (+ -) during 1960-61
14. Current and demand liabilities, schedule L, page 135—			
(a) Outstanding treasury cheques	\$ 251,740,839	\$ 228,768,468	22,972,371
(b) Accounts payable (that portion paid in April of the next following fiscal year)	221,706,476	245,009,009	-23,302,623
(c) Non-interest bearing notes payable to the international monetary fund, the international bank for reconstruction and development, and the international development association	183,640,444	181,828,500	1,811,944
(d) Matured debt outstanding	31,872,131	30,867,997	11,004,134
(e) Interest due and outstanding	65,776,824	57,690,734	8,086,090
(f) Interest accrued	14,013,640	137,852,471	-16,743,167
(g) Other current liabilities	38,999,891	27,979,624	10,119,267
	1,147,561,241	1,099,156,892	48,404,349
15. Deposit and trust accounts, schedule M, page 137	239,667,315	242,673,334	-3,006,019
16. Annuity, insurance and pension accounts, schedule N, page 149	3,955,509,445	3,565,375,649	390,133,796
17. Unexpended balances of appropriations to special accounts, schedule O, page 152	104,492,701	86,619,964	17,872,737
18. Deferred credits, schedule P, page 154	75,073,348	83,941,190	-8,867,842
19. Suspense accounts, schedule Q, page 156	8,617,992	8,528,175	89,817
20. Unmatured debt, schedule R, page 158—			
(a) Bonds	14,132,914,914	13,765,141,803	367,763,111
(b) Treasury bills	1,915,000,000	2,125,000,000	-190,000,000
	16,067,914,914	15,890,141,803	177,763,111
TOTAL LIABILITIES	21,002,836,960	20,986,367,010	16,469,950

The notes appearing on page 100 are an integral part of this Statement of Assets and Liabilities.

K. W. TAYLOR,
Deputy Minister of Finance.

H. R. BALLS,
Comptroller of the Treasury.

Auditor General's Certificate

The above statement has been examined in accordance with the provisions of the Financial Administration Act. I have obtained all the information and explanations that I have required, and I certify that the statement is in agreement with the accounts maintained by the Department of Finance, and is, in my opinion, correct, subject to the comments in my report to the House of Commons.

A. M. HENDERSON,
Auditor General.

Exhibit 22—EXTRACT FROM PUBLIC ACCOUNTS SHOWING CONTINGENT LIABILITIES

SUMMARY OF INDIRECT DEBT OR CONTINGENT LIABILITIES AS AT MARCH 31, 1961 AND MARCH 31, 1960 (in millions of dollars)			
	Amount outstanding March 31		Increase or decrease (—)
	1961	1960	
Securities of government-owned enterprises—			
Guaranteed as to principal and interest—			
Canadian National Railways and predecessor companies.....	1,672.6	1,430.0	242.6
Guaranteed as to interest only—			
Grand Trunk Railway.....	0.1	0.1	
Other guarantees—			
Bank loans to Canadian Wheat Board.....	125.6	109.4	16.2
Bank loans under the Prairie Grain Advance Pay- ments Act.....	35.8	20.2	15.6
Bank loans under Farm Improvement Loans Act..	46.8	38.3	8.5
Chartered bank deposits in Bank of Canada.....	656.3	619.9	36.4
Export Credits Insurance Act.....	109.9	97.5	12.4
Insured loans under National Housing Act, 1954..	3,024.9	2,678.3	346.6
Sundry other guarantees (excluding indeterminate amounts).....	0.6	1.4	—0.8
	5,672.6	4,995.1	677.5

49 Neither the assets nor the liabilities include guaranteed bonds or other contingent liabilities: for example, the government's investment in the Canadian National Railways at March 31, 1961 is shown at \$1.1 billion, the amount of direct advances and loans, and does not include the investment in excess of \$1.6 billion represented by bonds, debenture stocks and equipment obligations guaranteed by the government. The total of these contingent liabilities is not even noted on this Statement. That the amounts are significant can be easily seen from Exhibit 22 which has been extracted from another part of the 1960-61 Public Accounts.

50 From an accounting point of view, Net Debt is a meaningless and misleading concept which has neither validity nor significance. The gross outstanding debt is significant and does not require interpretation.

51 The present Statement of Assets and Liabilities should be replaced, preferably by a statement accounting for outstanding debt, both direct and indirect, with no reference to Net Debt. Liabilities should be shown first, followed by a list of assets and expenditures showing the purposes for which moneys obtained through direct borrowings or guarantees have been expended. The term

“Net Debt” should be dropped. The balancing figure should be designated as “Net Charges to Capital, Other Non-Active Accounts and Consolidated Deficit Account from July 1, 1867 to”, (the date of the statement).

Conclusion

52 The recommended elimination of material from the Public Accounts is not designed to withdraw useful information from parliamentary review, but rather to reduce the bulk of the document so that an accounting can be rendered in a clear, concise manner that conforms to the highest standards of financial reporting. Furthermore, by eliminating unnecessary detail, more useful information might be added which would be of value to Parliament and would provide a better accounting in areas now inadequately covered.

53 For example, many departments carry on operating activities, and the appropriation accounts kept on a cash basis do not adequately reflect the financial results of these activities. This has been partially corrected in some instances by the use of revolving

funds, which are described in the next chapter, but these funds usually record only direct costs with no provision for departmental overhead or the amortization of capital costs.

54 In this report your Commissioners have recommended the adoption of accrual accounting for departmental purposes but it is not recommended that the government's accounts be altered from the present cash basis. Therefore, the appropriation accounts will continue to be reported on a cash basis in the Public Accounts.

55 However, the costs of individual activities can now seldom be determined from the Public Accounts. The adoption of programme budgeting and accrual accounting, and the inclusion of the costs of services now provided free by other departments, will permit financial results to be presented in a manner similar to that followed in commerce and industry. The form of such statements is clear, concise and widely understood. Presentation of departmental accounts in this form will provide Parliament with information of far more value than any of the material that your Commissioners suggest be deleted.

6

CASH CONTROL

CASH MANAGEMENT

Cash Float

1 A large portion of the cash of the Government of Canada is held either by the Bank of Canada or by the chartered banks. The total in these accounts is regarded as the “cash float”.

2 The cash float is rarely less than \$40 million—the average of two days’ outgo. It fluctuates widely throughout the year for a number of reasons. Sufficient cash must be available at all times to meet contingencies. The amount will increase if the government issues new securities prior to the time when the cash is actually required, to take advantage of favourable market conditions. The receipt of large sums on the issue of bonds and the expenditure of large sums on redemption, will cause substantial fluctuations in the cash float. An increase may be necessary if a substantial deterioration in the cash position is forecast.

3 Chartered banks must maintain certain minimum cash reserves against their deposit liabilities. Government funds on deposit with

the banks while forming part of these liabilities, also affect the amount of the cash reserves. Therefore, the Canadian dollar operating account with the Bank of Canada has to be maintained at a level which permits transfers to and from the accounts with the chartered banks as required by central banking policy.

4 No precise dollar figures can be selected as the minimum amount needed to meet the operating requirements of the Government of Canada, both budgetary and non-budgetary, and to meet the requirements of central banking policy.

Other Bank Accounts

5 Canadian dollars are also held in the Exchange Fund Account by the Bank of Canada and in various departmental banking accounts by the chartered banks. Segregated balances for departmental purposes are necessary when it is desired to give authority to local management to make disbursements for specified purposes without incurring the delays caused by processing disbursement requisitions through the usual channels. These depart-

mental bank and other cash balances are usually not very large.

6 In only one instance, the Gander Airport Account, was the balance found to be larger than warranted. Acceleration of both the frequency and the processing of replenishment requisitions might well permit a reduction of the balance in this account. The present balance represents approximately one month's requirements; two weeks' requirements would be more appropriate. The auditing of vouchers submitted in support of replenishment requisitions could be made subsequent to the issue of the replenishment cheque without serious loss of control. Adjustments necessitated by audit findings could be made on issue of the next replenishment cheque.

7 Foreign currencies, mainly United States and United Kingdom currencies, are also held by the Bank of Canada, both in the Exchange Fund Account and in other accounts, and in accounts with the chartered banks. Certain foreign currencies are held by the government to facilitate payment of obligations payable in these currencies; other currencies less prominent in international trading are bought as required.

Responsibility

8 The Minister of Finance manages all Receiver General bank balances. The Financial Administration Act empowers him to establish, in the name of the Receiver General, accounts with such banks and fiscal agents as he designates for the deposit of public money. Normally, no money may be borrowed except with the consent of Parliament, and the practice is to insert in appropriation acts a round-sum amount which the Minister may borrow. However, to make certain that the government is always in a position to pay accounts coming for payment, the Financial Administration Act provides that:

44. Where it appears to the Governor in Council that the Consolidated Revenue Fund will be

insufficient to meet the disbursements lawfully authorized to be made from it, the Governor in Council may authorize the Minister to borrow, at such rate of interest and on such terms and conditions as the Governor in Council may approve, for a period not exceeding six months, an amount not exceeding such amounts as he deems necessary to ensure that the Consolidated Revenue Fund will be sufficient to meet those disbursements.

9 The Cash Management Division under the Comptroller of the Treasury is responsible for the accounting and forecasting of Receiver General balances. A staff of eight prepares the following reports:

Daily	—Receiver General cash adjustment sheet —Statement of Receiver General bank balances —Comparative statement of cash receipts
Monthly	—Forecast of changes in cash positions and accompanying explanatory memorandum
Every six months	—Letters setting out recommended interest rates to be levied on loans, including advances to Crown corporations
Periodically, as required	—Statements of estimated revenue and expenditures and related changes in cash position for budget purposes

This group also arranges with the Bank of Canada for the purchase and transfer of funds; authorizes banking facilities for various government departments and agencies; and computes accrued interest, amortization and other schedules of the public debt, and tables of interest and principal due to the government on advances to foreign and provincial governments, and to Crown corporations.

10 This Division collects data from other offices on the status of bank balances, and communicates significant information to the

Minister and the Deputy Minister of Finance. The various Treasury offices advise the Cash Management Division whenever cheques of \$1,000,000 or over are issued. The Cheque Adjustment Division of the Comptroller of the Treasury notifies the Cash Management Division each day of the amount of cheques processed. Each department submits a daily statement of receipts, which is reconciled with the receipts reported by the Bank of Canada. These form the basis of a daily comparative statement of cash receipts prepared and issued by the Cash Management Division.

11 The forecasts of budgetary revenues from direct and indirect taxes are prepared from information provided by the Taxation Division of the Department of Finance. This information is normally included in the cash forecast without modification.

12 The Treasury office attached to each department submits a forecast of budgetary expenditure in April, July, October, and monthly thereafter to the end of the fiscal year. Except for the reports submitted in the final months of the fiscal year, all are in standard form. The report shows, by vote, the actual expenditure for each preceding month and the forecast of expenditures for each succeeding month to the following March. Towards the end of the fiscal year, additional columns covering the first few months of the subsequent fiscal year are included in the reports, so that the forecast usually covers at least six months.

13 There is some duplication in the records maintained by the Bank of Canada and the Cash Management Division. Since the Bank of Canada is the fiscal agent of the government, elimination of this duplication would not lead to any undesirable reduction of control. As fiscal agent, the Bank should be able to supply the Minister of Finance directly with a large part of the information which he requires.

BANKING ARRANGEMENTS

Use of Chartered Banks

14 The cash deposited with the chartered banks is distributed among them on the basis of a percentage allocation established by agreement between the banks and the Department of Finance.

15 This allocation is based primarily on a determination of the work done by each bank on all types of government business. On the first and fifteenth day of each month, the Receiver General balance maintained with each chartered bank is normally adjusted to the prevailing formula-allocation for that bank, although there are some exceptions to this rule.

Interest Received

16 The Bank of Canada is prohibited by statute from paying any interest on amounts deposited with it. However, the Bank's profits are annually paid over to the Receiver General and credited to Consolidated Revenue Fund.

17 Under present arrangements, the chartered banks allow interest on Receiver General balances deposited with them, at the weekly average accepted Treasury bill tender rate for three months' Treasury bills, less 10 per cent. Calculations are based on the minimum weekly balances in excess of an aggregate of \$100 million and interest is paid quarterly.

18 An analysis of actual interest payments in the fiscal years 1959-60 and 1960-61 shows that, in most weeks, interest was paid by all chartered banks. For over eighty-five per cent of the time the minimum weekly balances on deposit with the chartered banks were in excess of the aggregate of \$100 million. The results of this analysis are summarized in Table 20 on the following page.

Table 20—ANALYSIS OF INTEREST PAID BY THE
CHARTERED BANKS

	Fiscal Year	
	1959-60	1960-61
Number of weeks during which interest paid by all banks	44	44
Number of weeks during which interest paid by some but not all banks	4	2
Number of weeks during which no interest was paid	4	6
	52	52

Bank Charges

19 The Bank of Canada and the chartered banks are prohibited by statute from making any charge for processing cheques issued by or payable to the government.

20 Although no direct charges are permitted, the effect of the agreement between the Minister of Finance and the Canadian Bankers' Association is that interest not paid on \$100 million serves to reimburse the banks for at least a portion of their costs. In addition, although no direct charges for the above services are levied by the Bank of Canada, the Bank benefits from the use of the funds on deposit.

Banking Arrangements of Crown Corporations

21 The appropriate sections of the Financial Administration Act governing the banking arrangements of Crown corporations are as follows:

81. (1) A corporation may, with the approval of the Minister of Finance, maintain in its own name one or more accounts in the Bank of Canada or in such bank in Canada or financial institution outside of Canada as the Minister of Finance may approve.
- (2) The Minister of Finance may, with the concurrence of the appropriate Minister, direct a corporation to pay all or any part

of the money of the corporation to the Receiver General to be placed to the credit of a special account in the Consolidated Revenue Fund in the name of the corporation, and the Minister of Finance may pay out, for the purposes of the corporation, or repay to the corporation, all or any part of the money in the special account.

- (3) . . . where the appropriate Minister and the the Minister of Finance, with the approval of the Governor in Council so direct, a corporation shall pay to the Receiver General so much of the money administered by it as the appropriate Minister and the Minister of Finance consider to be in excess of the amount required for the purposes of the corporation, and any money so paid may be applied towards the discharge of any obligation of the corporation to Her Majesty, or may be applied as revenues of Canada.

20. (2) . . . interest may be allowed and paid from the Consolidated Revenue Fund . . . in accordance with and at rates fixed by the Minister with the approval of the Governor in Council.

22 The bank accounts of all Crown corporations, other than the National Harbours Board, are maintained with the chartered banks. Because the Comptroller of the Treasury is required by statute to account for the receipts and expenditures of the National Harbours Board, all of its banking accounts are with the Receiver General of Canada and are included in the Consolidated Revenue Fund. In some instances, funds of Crown corporations are in excess of immediate requirements, and the excess is deposited in interest-bearing accounts in the chartered banks or invested in government securities. Year-end balances (1960) of non-interest bearing bank accounts operated by Crown corporations amounted to \$17.2 million, and deposits bearing interest to \$15.9 million, as set out in Table 21.

23 There is no consistent policy with regard to interest and non-interest bearing accounts, as the following illustrations reveal:

- *Atomic Energy of Canada Limited*:—Monies received by the company through fi-

Table 21—BANK ACCOUNTS—1960 YEAR-END
BALANCES

	Interest Bearing	Non- interest Bearing	Total
(thousands of dollars)			
Canadian Arsenals Limited	—	6,154	6,154
Canadian Commercial Corp.	523	1,949	2,472
Northern Canada Power Comm.	—	2,892	2,892
Canadian Overseas Telecommunication Limited	—	1,594	1,594
National Capital Commission	1,150	94	1,244
Central Mortgage and Housing Corp.	—	1,060	1,060
Canadian Broadcasting Corp.	1,457	404	1,861
Farm Credit Corporation	1,873	100	1,973
Others (under \$1 million)	266	2,974	3,240
	5,269	17,221	22,490
Short-term deposits	10,662	—	10,662
	15,931	17,221	33,152

financial transactions during the normal course of business are deposited in a special savings account and are transferred to the general bank account as required. Interest is paid on the balance in the savings account at the rate of 1¾% per annum.

- *Canadian Arsenals Limited*:—All moneys are deposited in bank accounts on which no interest is earned. In 1958–59, the total amount on deposit did not fall below \$1,150,000 and, in 1959–60, the total did not fall below \$5,700,000.
- *Canadian Broadcasting Corporation*:—All receipts are initially deposited in a savings account, from which transfers are made to operating accounts as required. The minimum book balance in the savings account in 1958–59 was \$978,178 and, in 1959–60, it was \$1,456,771. Interest on the balance in this account is paid at the rate of 2¾%.

- *Central Mortgage and Housing Corporation*:—The Corporation may have book overdrafts but actual bank overdrafts are avoided. Advantage is taken of the time required to clear cheques under the Canadian banking system, although at year-end sufficient money is deposited to cover all cheques issued and outstanding at that date, including those cheques issued by field offices.

- *Farm Credit Corporation*:—Under the existing banking arrangements, no interest is earned on the first \$100,000 on deposit, interest being paid on the balance at the rate of ½ of 1% per annum. Notwithstanding this low interest rate, the Corporation earned bank interest of approximately \$12,000 in 1960.

- *National Capital Commission*:—Interest at the rate of 1¾% is earned on only one bank account. Moneys supplied by the Government of Canada for the operations of the Commission are deposited in this account and are transferred to a general account as required.

The present inconsistencies merit attention. Greater use of the provision in the Financial Administration Act that permits surplus funds to be deposited with the Receiver General should be considered.

Investment of Surplus Funds of Crown Corporations

24 The Crown supplies a large portion of the funds of Crown corporations. This may take the form of an investment in their capital stock, interest-bearing loans or non-interest bearing advances. The Receiver General is authorized by votes included in the annual Estimates to advance these funds out of the Consolidated Revenue Fund. The Statement of Assets and Liabilities as at March 31, 1961, shows an amount of \$3,627,733,196 as loans to, and investments in, Crown corporations.

25 Many of these corporations also derive

Table 22—INVESTMENT OF SURPLUS FUNDS OF GOVERNMENT CORPORATIONS

Corporation or Agency	Free Cash and Liquid Assets				Segregated Cash and Securities		
	On Deposit with Rec. Gen.	On Deposit with Banks	Treasury Bills	Gov't Bonds	Cash	Gov't. Bonds	Other
(\$ Thousands) (1959 or 1960 Financial Year Ends)							
Atomic Energy of Canada..	3,000	648	2,000	—			
Canadian Arsenals Limited	—	6,154	—	—			
Cdn. Commercial Corpor- ation.....	—	3,275	2,691	186			
Nat. Capital Commission..	—	1,209	—	20			
Nat. Harbours Board.....	3,321	—	592	3,864	426	59,986	
Northern Canada Power Comm.....	—	2,892	—	499			
Cdn. Overseas Tel. Corp...	—	1,594	3,985	—	—	—	780
Cdn. Broadcasting Cor- poration.....	—	1,861	—	1,457			
Central Mortgage and Housing Corp.....	—	1,060	—	—	1,994	63,275	366
Eldorado Mining and Re- fining Ltd.....	9,000	8,174					
Export Credits Insurance Corp.....	—	409	1,487	13,717			
Farm Credit Corp.....	—	1,973					
Northern Transportation Co.....	—	1,772					
Custodian of Enemy Pro- perty.....	—	218	—	4,000			
Other.....	625	1,913	74	102	6	33	
	15,946	33,152	10,829	23,845	2,426	123,294	1,146

SUMMARY—

<u>Particulars</u>	<u>Free</u>	<u>Segregated</u>	<u>Total</u>
(\$ Thousands)			
Cash—			
On deposit with Receiver General.....	15,946	—	15,946
On deposit with banks.....	33,152	2,426	35,578
Treasury Bills.....	10,829	—	10,829
Bonds.....	23,845	123,294	147,139
Other assets.....	—	1,146	1,146
	83,772	126,866	210,638

funds from retained earnings and from reserves set up as charges against earnings but not requiring the expenditure of funds; for example, depreciation reserves.

26 Although these funds are normally available for corporate purposes, in two major instances funds have been segregated by the corporation concerned. The National Harbours Board segregated almost \$60 million and invested this amount in government bonds at the end of 1959 as security against the reserves for replacement of capital assets, fire and general insurance, workmen's compensation, and special maintenance. The Canadian Overseas Telecommunication Corporation segregated a lesser amount and placed it in the hands of a trustee in order to provide for actuarial deficiencies in certain pension funds.

27 Funds may also be derived from charges to the public which are excluded from earnings. For example, Central Mortgage and Housing Corporation charges insurance fees on most mortgages and sets them aside in special funds invested in cash, bonds or guaranteed by the Government of Canada, mortgages and real estate.

28 Certain corporations are required by their incorporating acts to remit all or a portion of their earnings to the Receiver General of Canada, after provision has been made for specified reserves. Otherwise the provisions in the sections of the Financial Administration Act set forth in paragraph 21 govern the disposition of surplus funds. Table 22 illustrates the amounts of free or segregated cash and other assets, at the end of the 1959 or 1960 fiscal year-end of the corporation concerned.

29 The practice of investing surplus funds, whether segregated or not, in bonds or guaranteed by the Government of Canada is of questionable wisdom. Funds on deposit with the Receiver General would provide the

same security and even greater liquidity, since fluctuating market values would have no effect. Provided the rate of return allowed by the Department of Finance is comparable to that which could be earned on bonds, no loss of income would be suffered. Furthermore, since greater centralization would eliminate the present segregation of responsibility for investing these assets, better debt and cash management would be possible, and the public debt of Canada would no longer be overstated.

Cash Management

30 Management of the debt of Canada requires special skills, centrally applied. Nevertheless, although corporate agency managements in most cases are not likely to be specialists in investing funds, they should be able and be expected to manage the cash needed for their current operating requirements.

31 Investigations indicated, however, that only some Crown corporations use cash budgets which project month-end cash positions. This deficiency should be remedied if the corporations are to utilize their cash efficiently. All cash, surplus to these operating requirements, should be placed on deposit with the Receiver General at a reasonable rate of interest, or be utilized to reduce advances on loans made by the government to such corporations.

DEBT MANAGEMENT

32 Responsibility for managing the debt of Canada is shared between the Department of Finance and the Bank of Canada. Printing, promotion and distribution costs of new issues of bonds are met by the Department of Finance out of an appropriation. The Bank of Canada is recompensed for the cost of redeeming coupons, but the costs of the Debt Service Division are absorbed by the Bank itself. The salary cost of the Division amounted to \$1.2 million in 1961.

33 There is considerable variation in the costs of borrowing through bonds, treasury bills and otherwise. Canada Savings Bonds are undoubtedly the most costly of the forms of borrowing by the government. Experience has been that, being redeemable at par at the option of the holder, over half the bonds sold are turned back for redemption within two years of their issue. The costs of selling, registering and redeeming these bonds plus the interest paid thereon add up to an unreasonably high cost for what is in effect mainly short-term money. The principal justification for the issue of such securities is the encouragement of thrift, but your Commissioners believe that the extra costs of raising funds in this manner should be calculated and objectively appraised.

REVOLVING FUNDS

Introduction

34 A revolving fund is a means of providing cash to finance a cycle of operations. Initially, the fund is established through a cash appropriation, a non-budgetary transaction. The amounts expended from the fund are restored thereto, either out of earnings from operations or by transfers from other funds, so that the original capital of the fund is kept intact.

35 A revolving fund is similar to an imprest account but differs in that the balance does not need to remain at a fixed amount. If a \$5,000 imprest account is set up, the amount of vouchers, cash, etc., on hand at any time always totals exactly \$5,000. The balance in a revolving fund varies from day to day but is usually subject to a statutory limit.

36 Revolving funds are authorized through an appropriation act or other statute, and the original advances are authorized through the Estimates. All revolving funds, except the Royal Canadian Mint revolving fund, are restricted in size by statute. In the accounts of

Canada, specific revolving funds are described in a variety of ways, such as: accounts, revolving funds, reserves, working capital advances, advances.

Operating Funds

37 Some revolving funds, which might more appropriately be termed working capital funds are established to take care of an operation which is self-sustaining in nature. Operating profits are usually transferred to budget revenues or retained as additional working capital; losses are usually voted from budgetary appropriations. The principal requirement is that the fund should be kept intact, being represented by cash, receivables, or inventory.

38 The following funds come within this description:

Agricultural Commodities Stabilization Account
Agricultural Products Board Account
Agriculture Revolving Fund
Canteen Revolving Fund—Penitentiaries
Customs and Excise Revolving Fund
Fisheries Revolving Fund
Gold Purchase Account
National Film Board Operating Account
Post Office Revolving Fund
Public Archives Revolving Fund
Queen's Printer Advance Account
Revolving Fund—Manufacture of Remembrance Day Poppies
Royal Canadian Mounted Police Revolving Fund
Silver Bullion Purchase Account and Various Coinage Accounts

Operating statements for these funds are included in the Public Accounts in various ways. The year-end balances are listed, but some are prepared on a cash basis and others on an accrual basis, including accounts receivable and payable. The extent of the detail given for transactions during the year also varies.

Perpetual Inventory Accounts

39 These funds are designed to finance inventories and, accordingly, annual profits or losses are not usually developed. The follow-

ing revolving funds may be classified as perpetual inventory accounts:

Blank Bond Reserve
Industrial and Stores Account—Penitentiaries
Maritime Marshland Rehabilitation Administration—Stores Account
Prairie Farm Rehabilitation Administration—Stores Account
Stores Account—National Parks
Stores Account—Transport

All transactions in these accounts are recorded at cost. Statements are included in the Public Accounts, except for the Blank Bond Reserve, although the detail and manner of presentation vary.

Advance Accounts

40 These revolving funds are made up of the total of advances of a specified type, outstanding at any particular date. The following come within this category:

Board of Grain Commissioners—Canadian Government Elevators
Veterans Land Act Housing Account
Working Capital Advances—Posts Abroad;
Departments of Citizenship and Immigration, External Affairs, and Trade and Commerce (3 funds)

No details of transactions in these accounts are given in the Public Accounts, although the contents of the year-end balances in the “Working Capital Advances—Posts Abroad” accounts are provided.

Defence Production Revolving Fund

41 The Defence Production Revolving Fund cannot be classified as an operating fund, a perpetual inventory account, or an advance account. Although purchases and sales are recorded in the Fund, profits or losses are seldom recorded in the open account. The profits are accumulated in a separate account, “Reserve Arising from Trading Operations,” which is not included in the Public Accounts. The balance in the Revolving Fund is said

to represent net expenditure but, as at March 31, 1961, this included both inventory items and advances to Canadian Arsenals Limited.

42 A statement of the transactions in the Revolving Fund is not included in the Public Accounts, although details are prepared from accounts maintained on an accrual basis to show the standing of the Fund as at the year-end. The information provided in the Public Accounts is in comparative form.

Control over Revolving Funds

43 In Canada, the only information on revolving funds appearing in the Estimates relates to changes in the maximum permitted balances, changes in the purposes of the funds, or the introduction of new funds, i.e., where circumstances necessitate an appropriation of funds or a change in statutory authority. If Parliament and the Executive are satisfactorily to appraise the activity carried on within revolving funds, the Estimates should include budgets for each operating fund.

44 The Public Accounts should present the results of transactions in revolving funds in a consistent manner, preferably, where applicable, on an accrual basis in comparative form.

Advantages of Revolving Funds

45 Greater use of revolving funds for operating activities would be advantageous. First, a clear presentation of profit or loss would be provided. Business-type budgeting and reporting, including balance sheets, are natural corollaries of an operating fund system. Second, the extent to which the operation is financed from general taxation would be more readily determined. Third, management would tend to become more cost-conscious. Fourth, since only the net cost is controlled, there would be greater flexibility in operations. Finally, receipts and expenditures would not be distorted, since the re-

volving fund expenditures are stated on a net basis in the budget totals. With a revolving fund arrangement, the actual cost of an operation or a service would be stated in the budget.

46 Greater use of revolving funds to finance inventories would also produce better accounting for such inventories. Estimates control would be improved, since inventories would not be available to absorb fluctuations in cash requirements. One scientific department with inventories valued at \$3.5 million (compared with annual appropriations of \$40 million) has not established a revolving fund. Therefore, there may be significance in the statement of this department that it has never had to abandon a programme because of reductions made by the Treasury Board in its Estimates' proposals.

47 Revolving funds would also simplify certain problems now created by annual appropriations. Departments could not rush to spend funds remaining at the year-end on inventories, if charges to appropriations were made at the time such supplies were consumed rather than when they were paid for. Departments operating in the north now have to commit funds in the old fiscal year so as to order materials in time for delivery after the spring break-up. However, these funds may lapse because delivery often cannot be made until after the thirty-day period allowed for charges to the old fiscal year has expired. Many other advantages would be derived from greater use of such funds and better control would be obtained, particularly if improved and consistent procedures were developed for reporting the transactions within such funds in the Public Accounts.

7

AUDITING

INTRODUCTION

1 Government audits fall into two main categories: external and internal. External audits consist of an examination of records at the office of a taxpayer or member of the public. Such audits are made to ensure compliance with legislation and regulations, and to verify the correctness of claims. Generally, any person designated by the minister for a purpose related to the administration or enforcement of an Act has the power, at reasonable times, to examine the necessary books, records and supporting documents maintained by any individual or corporation.

2 Internal audits involve an examination of records maintained by government employees, and are made to verify the accuracy and credibility of government records, and to appraise the efficiency of methods and procedures. The authority of an internal auditor to examine the records and supporting documents of a department is given by the minister and is not set out in any statute. Internal audit groups normally report to officers who, not being directly responsible for the maintenance of accounting records,

can make an independent assessment of the report.

3 The range of the work carried out by government auditors varies widely from relatively routine inspections of records, requiring limited experience, to complex audits and investigations which necessitate a high degree of technical knowledge and proficiency.

EXTERNAL AUDITING

Departments Responsible

4 External Audits are conducted mainly by the following departments and agencies:

- *Department of National Revenue (Customs and Excise Division)*

The Excise Tax Audit Branch examines the records of all firms paying sales and excise taxes. The staff of 460 employees, operating from 21 district offices, performs periodic inspections of the records of approximately 40,000 businesses and verifies the accuracy of the tax liability reported monthly by each firm.

The Customs Drawback Branch has 130 employees in 12 district offices verifying claims submitted by taxpayers entitled to a drawback of customs duties paid on goods used in the production of goods for export or for exempted uses within Canada.

- *Department of National Revenue (Taxation Division)*

The 30 district taxation offices employ approximately 2,300 assessors across Canada. These verify returns of income, gift and estate taxes. Some returns are first examined on a mechanized basis at the Taxation Data Centre in Ottawa; the returns which are not routine are reviewed by a desk audit and by field examination of the taxpayer's records.

Seventy-five employees, located in district offices, verify the accuracy and regularity of remittances made by employers who are responsible for withholding and remitting taxes deducted from the salaries and wages of their employees.

- *Unemployment Insurance Commission*

The Audit Branch with 600 employees, working in 131 offices, conducts regular investigations of the payroll records of 400,000 employers in order to verify the accuracy and payment of the liability, of both employee and employer, for unemployment insurance.

- *Comptroller of the Treasury*

The Audit Services Division audits cost contracts, special agreements and cost-sharing programmes, both as a service to departments responsible and as part of the duty of the Comptroller to verify and approve expenditures. Many of the 300 auditors are located in district offices across Canada.

- *Other Departments, Boards and Commissions*

The following boards and commissions

perform external auditing: Air Transport Board, Board of Transport Commissioners, National Energy Board, Canadian Maritime Commission, Dominion Coal Board, and the Departments of Insurance and of Labour. Their activities touch only a small segment of the public. The work carried out includes an examination to ascertain either that prescribed regulations in regard to standard accounting systems are being adhered to and that the resulting financial information is correct, or that claims for subventions are correctly calculated. Examinations are conducted on a regular basis for those in the first category, and on a claim basis for the latter. The size of the audit groups in these agencies varies. With the exception of the Department of Insurance, which has 22 examiners, and the Department of Labour, which has 18 officers, there are not more than five in any of the other organizations.

Training

5 Training programmes vary among the major audit groups. Approximately one-third of the assessors of the Income Tax Division of the Department of National Revenue and almost one-half of the auditors in the Audit Services Division of the Comptroller's office have professional accounting degrees. The staff of other audit groups may have extensive experience, but few are professionally trained.

6 Many audit groups have instruction manuals and are provided with circulars which interpret the various statutes and regulations to be enforced. Most departments provide some supervised practical experience before the auditor conducts an audit on his own. Only a few conduct formal training courses at the time of recruitment or provide later review courses to bring their staff up to date on new legislation or new developments in auditing techniques.

7 The auditors in all departments are rated on their knowledge, performance and other related factors at the end of the probationary period and annually thereafter, as a basis for salary increases and promotions. However, there is no proper assessment of their technical knowledge, and in many cases salary increases are granted as a matter of routine. Examinations, conducted as an integral part of training, and review courses would help remedy this deficiency. Furthermore, the majority of auditors work independently, and many have had little or no previous experience as external auditors. A high degree of specialized knowledge, in both the administrative application of the statutes to be enforced and in proven audit techniques, is necessary if a productive audit is to be obtained.

Techniques

8 Present day auditing is based on test checks of the records of a business, since it is usually impracticable to carry out a complete verification of all transactions. Consequently, it is essential that tests be properly determined and recorded for subsequent evaluation.

9 Professional auditing relies on properly designed audit programmes to guide an auditor on the type and extent of tests, the areas to be covered, and to ensure that important areas are not inadvertently overlooked. The written programme facilitates the work of subsequent auditors, and makes it possible for a supervisor to assess the quality of the audit conducted. Audit programmes are used widely in the profession, regardless of the past experience of the auditor, because they provide a base upon which the good auditor can rely in attempting to improve the examination.

10 Programmes are generally in use by audit groups in government. However, the Income Tax auditors place little reliance on

formal programmes, and the programme of the Excise Tax auditors, prepared in 1944, is extremely general. Because of the limited professional training of many government auditors, all groups should place greater emphasis on the use and improvement of such programmes so that all taxpayers will be subject to effective and comparable examination.

11 No standard set of working papers can be prescribed for recording the knowledge gained in the audit. However, like the audit programmes, their preparation is beneficial both to the reviewer and the succeeding auditors. Many government audit groups were found to be deficient in the quality and extent of their working papers.

12 Time control is another device used by the professional auditor to ensure effective utilization of an auditor's time. Formal time budgets, based on previous audits and the nature and size of the activity, should be prepared in order to effect a proper distribution of time and effort. Time control was only on a general and informal basis in all groups surveyed.

13 All audit groups prepare reports on the completion of their examination, but no supervisor can conduct a proper review of the quality of the audit without adequate programmes, working papers and time budgets. Furthermore, no adequate assessment of the quality of the auditor and his competence for further advancement is possible.

Interdepartmental Committee

14 Responsibility for improving present training and procedures must vest with individual departments. However, present audit groups vary greatly in the quality of their staff and techniques. Within each group there are procedures of value to other groups.

15 Formation of an interdepartmental committee would provide many benefits and lead

to greater cross-fertilization of the best practices of all groups. Such a committee could call on recognized professional groups to assist it, and could take the lead in spreading new ideas. It could also improve the present inadequate communication and co-operation among the various audit groups.

Combination of Audit Groups

16 Advantages will flow from the combination of various external audit groups only if both the inconvenience to the taxpayer and the cost to the government can be reduced.

17 However, there are certain difficulties in combining audit groups. The auditing work carried out by the major government departments, particularly for income and excise taxes, requires a great deal of specialized technical knowledge. This is not readily acquired for, in addition to practical experience, a thorough and continuing study of the applicable statutes and case law is necessary.

18 The frequency of visits to taxpayers by government auditors varies. Income Tax audits are irregular and are usually based on the results of a preliminary review of the tax return at the tax office, whereas excise tax audits are made regularly. The co-ordination of examinations would, therefore, be a difficult task. There is a close relationship between revenue administration and audit work in all departments, involving interpretation, policy and collection. Divorcing the two would create administrative problems and delays, and would subject the auditors to control by several authorities. The training of auditors in the complexities of several statutes would be a major problem requiring a lengthy period of time. Staff turnover would become an even more expensive factor. Moreover, the taxpayer is more often inconvenienced by the delay in audits which may leave him in a situation of uncertainty. Audits delayed too long may require the taxpayer to

produce explanations and records dating back several years.

19 There is one area where a combination of auditing duties would appear beneficial. This is in the field of payroll audits by Income Tax and Unemployment Insurance Commission auditors. At the present time, these auditors work independently of each other. The function of the Income Tax payroll auditor is to visit employers and ascertain that all tax deductions at source are being correctly made and properly remitted to the government. The Unemployment Insurance auditor verifies the accuracy and payment of the liability, of both employer and employee, for unemployment insurance.

20 Essentially, these two groups are concerned with verifying that proper deductions are being made from employees' pay and promptly remitted to the government. This involves a check of the accuracy of deductions; a reconciliation of the deductions with the remittances to the government; and an examination of other records to ensure that all employees are subject to deductions. The technical knowledge required in each of these fields is comparable and not as complex as in other major auditing groups. It should also be pointed out that employers who are not remitting income tax payroll deductions are probably in the same position with respect to unemployment insurance deductions. Since both the Income Tax payroll auditors and the Unemployment Insurance auditors are examining the same records for fundamentally the same purpose, a combination is desirable.

21 The Unemployment Insurance auditors are the larger group and already visit all employers. They should assume the responsibility of the payroll tax auditors. During their regular examination, their audit work should be expanded to include a test of tax deductions and remittances. In addition, it would seem beneficial to include an examination of

problem areas, such as employee benefits. This examination could probably best be done on a discovery basis, with the results passed to the Taxation Division for assessing or determining whether any further specialized audit work is necessary.

Auditing of Excise Duty

22 Excise officers are responsible for verifying and collecting all Excise Duties, imposed mainly on distilled spirits, beer and tobacco products. Control is also maintained over all factories which use alcohol as an ingredient of their products. Verification is performed by means of control over the manufacturing or production processes, but might be accomplished more easily using normal audit methods.

23 The extent of control is dependent on the product involved; distilleries are subject to the greatest control, and breweries and tobacco manufacturers to the least. The control in distilleries involves numerous volume, weight and strength tests, physical inventory control during the maturing process, and supervised bottling and storage until sale. The main checks in a brewery are of the strength and volume of the product. Tobacco production is controlled by quantity and weight tests.

24 These checks are conducted during the actual production or manufacturing process by almost 400 Excise officers who, in most cases, are located in the plant. However, the tests are not used to verify the company's records. Instead, Excise officers maintain independent records of all transactions involving taxable products at each plant. These records, required by regulations, are very detailed and, in most cases, duplicate most of the detailed production information which the company itself maintains. The Excise records are used to verify independently the duty calculations and the regular operating returns made by each licensee. A large

proportion of the time of Excise officers is involved in maintaining these records.

25 Excise officers outside the plant at collecting points also keep records of each licensee's operations. These records are mainly of inventory volumes and are for reference if the records maintained at the plants are destroyed. They are also used to check the operating returns prepared by the licensee. Essentially the same records are again maintained by the Excise Check Branch in Ottawa.

26 This somewhat archaic method of control over Excise Duty is unique, and should be changed. It was instituted many years ago when businesses subject to tax were operating on a relatively small scale, and attempts to evade tax were often encountered. The control is greater than that exercised over most other forms of tax revenue, although Excise Duty amounts to less than six per cent of total government revenue. Since much of the Excise officers' time is required to maintain books of account, their function in many cases is little more than that of bookkeepers.

27 It is difficult to justify the need for maintaining independent records of each licensee's operations. All tests should be verified directly to the licensee's records. This could easily be done by marking the source document at the time of count, weight or measurement, and subsequently checking the entry to the records of the taxpayer. The operating reports prepared by the licensee could be checked directly to the accounts which have already been verified. This would result in a reduction in the number of Excise officers and the elimination of many records maintained by them.

28 The similar records maintained by Excise officers at the collecting ports and by the Excise Check Branch are costly and of limited value. There is little need to check information which has already been completely

verified. The chance that company accounts may be destroyed by an explosion or fire is slight. Neither eventuality justifies the expense of maintaining multiple sets of control records.

29 The Distillers Association has submitted a brief to the government, outlining a system which would alleviate the need for record-keeping by Excise officers. This system is being tested on a trial basis and, if implemented, should reduce substantially the work of the Excise officers with no loss of control to the government.

Access to Bonded Warehouses

30 Another questionable checking procedure involves the bonded warehouses which are used by private individuals or companies to store imported goods pending the payment of import taxes. The maximum period for which payment of duties may be deferred by reason of storage in such warehouses is two years. The warehouses are privately owned and operated, and the owners are bonded. All access points are controlled by dual locks so that entry may be made only in conjunction with a Customs officer. In addition, complete records of all goods in bonded warehouses are maintained in the various Customs offices.

31 The payment of customs duties is effectively and adequately controlled, for the owners of the warehouses are bonded and the government has a record of all goods in storage. The requirement that a Customs officer be present whenever a bonded warehouse is entered is an additional control which does not seem to be warranted.

INTERNAL AUDITING

Present Internal Audits

32 Internal auditing activities are carried out in a number of departments and agencies

of government. Internal audits in the Post Office Department and the Canadian Broadcasting Corporation were reviewed in making the separate studies of these bodies. Certain of the other major auditing activities are described below.

- *The Department of National Revenue (Taxation Division)*

The Inspection Branch provides an independent internal audit of the operations performed by each of the district taxation offices. Regular examinations, based on audit programmes, are conducted at each office. These consist of a financial review, as well as an investigation of administrative practices and procedures. Reports are prepared on each examination. There are 18 members of the Branch operating from a central headquarters in Ottawa.

- *The Department of National Revenue (Customs and Excise Division)*

The Inspection Branch conducts annual examinations at each customs port by means of audit programmes which comprise a review of financial operations and administrative procedures. Reports are prepared on each audit. There are 65 officers in the Branch, located at nine district offices throughout the country. The general administration of the Branch is conducted from headquarters in Ottawa.

- *The Unemployment Insurance Commission*

The Inspection Branch conducts regular examinations of all Commission offices. The investigations are mainly of an administrative nature, since benefit payments are controlled by Treasury offices. Examinations are based on questionnaire-type programmes and reports are prepared on the results of each investigation. There is a staff of 20, operating from headquarters at Ottawa.

- *The Department of Transport*

The Inspection and Audit Section, formed in 1960, has responsibility for the majority

of departmental revenue audits which were previously conducted by the Comptroller of the Treasury, Audit Services Division. This change was considered advisable because the departmental travelling inspectors who visited most of the offices covered by the Audit Services Division were duplicating the work of that Division. It was also felt that faster service could be obtained from this change. Examinations, based on inspection and audit guides, cover financial aspects as well as a review of systems and procedures. A report is prepared on each audit.

- *The Department of National Defence*

The Chief Auditor's Branch, with a staff of 83 at headquarters and in nine regional offices, is staffed with civilians, and reports directly to the Assistant Deputy Minister charged with financial responsibility for the Department. This audit group reviews, on a test basis, the units of the various Services, the laboratories of the Defence Research Board and the accounts of certain contractors working on defence contracts.

The Services also have their own auditors, working under military supervision, who inspect and audit stores, examine pay and allowances, and audit non-public funds.

- *The Comptroller of the Treasury*

The Audit Services Division, originally formed to conduct the complex cost audits previously described under External Auditing, now carry out revenue and other internal audits at the request of departments.

Duplication in the Department of National Defence

33 The Chief Auditor's Branch conducts between 450 and 500 audits each year. Generally speaking, this group is looking for uneconomical operations, inadequate control, faulty provisioning, wasteful and improper expenditures and unauthorized transactions of any kind. The methods follow those of a profes-

sional auditor in commercial practice. Tests are performed to establish that the system is working properly. Copies of most reports are sent to the Auditor General.

34 The audits performed by Service auditors often duplicate those of the Chief Auditor's Branch. The Service auditors tend to subject stock records and vouchers to a 100% verification.

35 Steps have been taken recently by the Services to reduce the extent of verification where satisfactory systems of control are in effect. They are aware of the duplication and are now attempting to integrate their work with that of the Chief Auditor's Branch. This integration should be proceeded with as quickly as possible.

Need for Internal Audits

36 Certain departments have found that internal audit services provided by the Comptroller of the Treasury are unsatisfactory because the staff of the Audit Services Division is primarily concerned with its complex cost audit assignments. In any event, internal audit groups should be part of the departmental team if they are to operate as an arm of management.

37 The use of internal auditing is an important part of effective management control in industry. Control over accounting records and other related financial aspects of a business may be possible by an elaborate process of checking and re-checking all transactions. While this might be effective, the cost would be prohibitive. A better procedure is to make use of good internal control systems and verification by test audits conducted by competent internal auditors. This provides maximum control at minimum cost.

38 Present day administration, whether in government or industry, faces many complex problems. Due to the magnitude of opera-

tions, management may be able to do little more than formulate policies and procedures, provide the machinery for carrying them out, and review the results. This means that management must delegate responsibilities; controls must be formulated to safeguard this delegation of authority; and reporting procedures must be instituted so that management is aware of what is happening at the point of operation.

39 Internal audit groups are an invaluable aid to departmental management in reviewing the reliability and utility of financial and

statistical data; the effective use of personnel and facilities, and the safeguards against waste and loss; and in appraising employee performance to ensure that it complies with policies and procedures established by management.

40 In the light of your Commissioners' recommendations for delegating increased authority to departments and agencies, internal auditing assumes importance as one of the essential tools for enabling departmental managers to use their authority effectively.

3 PERSONNEL MANAGEMENT

MANAGEMENT OF THE PUBLIC SERVICE

REPORT 3: PERSONNEL
MANAGEMENT

PUBLISHED BY THE QUEEN'S PRINTER OTTAWA CANADA FOR
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The subject of personnel management was of such universal interest to all those individuals and associations who submitted briefs that your Commissioners refrain from listing them by name here; however, these representations have all been carefully considered and are noted in our final report.

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PART 1

1

INTRODUCTION

The quality of the public service of Canada must be judged by the performance of the many thousands of individuals employed in it. Large industrial and business organizations must also look to their human resources but, in the achievement of their objectives, such other factors as plant, equipment and materials assume a relatively more prominent role than they do in the public service. The effective use of people is, then, the primary determinant of the success with which the public service fulfills its obligations to the citizens of Canada. Despite this, there is convincing evidence that the procedures devised for the management of people in the Canadian public service have been less than adequate.

✓ Two things are necessary to effective performance by the public service. First, skills of high quality must be appropriately combined and balanced in ways best suited to the range of tasks to be done: good initial recruiting, proper training, and opportunities for personal development, will ensure that these conditions are met. Second, the talents available must be intelligently used, and the efforts put forth by public servants must be wisely guided.

The stake of every citizen of Canada in the effectiveness of the federal public service has never been greater than today. The role of the federal government has been extended so that it touches the well-being of every Canadian daily at many points. In times gone by, when the role of government was simple, the quality of administration had but slight impact on the life of the nation. In contrast, today, ineffectiveness in any of several parts of the public service can be of immediate practical concern to all Canadians whose incomes, welfare or, indeed, safety may be involved.

How well qualified and capable are the public servants of Canada as a whole? How effectively are their talents and energies being applied? The general conclusion is that the calibre of personnel within the public service is comparable with that found in large private organizations in Canada. In some areas, it is very good indeed. It must be observed, however, that many of the most able persons in the federal public service today were attracted to government service during the depression of the nineteen-thirties and in the immediate post-war period. Thus, the present quality of the public service as a whole results more from fortunate recruiting in the past than from its present attractions for talented people.

Conclusions are less favourable about government's success in making use of the talents, energies and skills at its disposal. Certainly, more must be done to compete successfully for scarce talents, to meet the new pressures of change in office technology and managerial techniques, and to deal adequately in future with the scale and complexity of public business.

Two significant defects in the system help to explain the growing inability to deploy and use human resources in the service of government:

- The system has failed to recognize that management of people is an inherent part of total management; that this is not a responsibility which can be discharged by staff or control bodies remote from the operational areas; and that the senior officers of departments and agencies must have the right to manage personnel and be held responsible for doing so efficiently.
- The system has not encouraged a comprehensive and co-ordinated approach to personnel management throughout the entire public service; nor has all the relevant knowledge and experience available today been effectively tapped.

Personnel practices in government frequently waste resources, do little to bring out top performance, and fall short of creating a dynamic and unified public service. The most difficult obstacles to successful performance can often be overcome by good people. But, more often, the present system frustrates and stultifies the development of people potentially capable of better performance and more valuable contributions to public service.

Much of the structure and the practice of personnel management in the civil service is a direct product of the principle that there should be uniformity of treatment for civil servants. To ensure this uniformity, centralized and detailed control has been imposed. The paradoxical result has been that concern for the individual has led to a highly impersonal machinery of administration. The foundations for this system were laid four decades ago by the Civil Service Act of 1918. In the interval there have been profound changes in the status of em-

ployees and in the general approach to employee relations in the economy at large. Personnel management in the public service today should not subordinate the individual to the system, but should aim at inspiring the best performance by recognizing his motives, capacities and needs.

SCOPE OF STUDIES

The well-being of the public service is so dependent on the effective use of the people in it that your Commissioners consider personnel management to be one of the most important of the many subjects referred to them. This assessment of manpower management has, accordingly, been directed to the following inquiries:

- To study the size and composition of the public service so as to measure the personnel management task of the government and to identify trends which may give rise to new problems.
- To examine the distribution of authority and responsibility for personnel management between control bodies, departments and agencies, and the effects of this distribution on performance.
- To evaluate staffing policies and practices with particular reference to: recruitment, transfer and promotion, training and development, and forecasts of manpower needs.
- To assess the efforts to promote satisfactory morale and productivity in the public service.
- To compare pay, benefits and working conditions of the various categories of public servants with like employment elsewhere in the economy; to assess the way in which compensation is related to performance; and to examine the implications for the taxpayer and the economy at large of present criteria for pay, benefits and working conditions in the public service.

Supplementing the appraisal of each of these problems is a statistical analysis of the public service which contains much new information on manpower characteristics, pay, benefits and working conditions, together with a comparison with conditions prevailing in outside employment. (These details are set out in Part 2.)

Detailed inquiries and appraisals, conducted along lines indicated above, were made by a team of specialists selected from outside the public service. In addition, many officers of the Commission's other study teams made findings on personnel matters arising in their special areas of interest. Their judgments were tested by an advisory committee some of whose members were drawn from the

larger private enterprises having personnel problems of a scale somewhat similar to those found in government. Your Commissioners assessed the numerous briefs on this subject, before making their final determinations on many points.

The definition of "public service", as used in this and other Commission reports, requires elaboration. In the broadest sense, the public service of Canada might be taken to include the staffs of all departments, boards, commissions, agencies, Crown corporations and the Armed Forces. This definition, embracing a total of over 480,000 as of September, 1960, includes too broad and diverse a grouping for the purpose of this report. The following categories have therefore been excluded:

- Uniformed members of the Armed Forces. In a report on the Department of National Defence, the administrative implications of military manpower policies are considered separately, particularly with respect to "civilianization". In this report only the 50,000 civilian employees in the Department are included.
- Employees of those Crown corporations where personnel requirements parallel those of private industrial and commercial corporations, namely: Canadian National Railways, Trans-Canada Air Lines, Polymer Corporation Limited, Eldorado Mining and Refining Limited, Eldorado Aviation Limited, Northern Transportation Company Limited, and Canadian Overseas Telecommunication Corporation.
- Employees of agencies or corporations which, for reasons of public policy, enjoy varying degrees of independence from the executive. Specifically excluded are: the Bank of Canada, Canadian Broadcasting Corporation, and the Canada Council.
- Revenue postmasters and their assistants.

Unless otherwise indicated, therefore, wherever "public service" appears in this report, it should be taken to include some 216,000 employees of the Government of Canada, representing the total remaining after excluding the groups listed above.

A final series of comments is necessary to place these findings and conclusions in proper perspective. During the course of these studies, a bill for a thorough-going revision of the Civil Service Act was submitted to Parliament. An extensive review of its provisions, principles and philosophy was made by the 1961 Special Committee of the House of Commons on the Civil Service Act. In September, 1961, a revised Act was passed and took effect on April 1, 1962.

The new Act makes provision for important changes in the responsibility and authority for personnel management in the civil service; in particular, it permits a more flexible approach than was permitted by the old Act. It is not possible at this point to judge how the new Act will affect the climate of control. Nevertheless, your Commissioners wish to state clearly the principles which it is believed should govern personnel management in the public service, whether these are consistent with, or contradict, the provisions of the new Act.

As subsequent sections of this report are developed, it will become abundantly clear that your Commissioners envisage changes which go well beyond the repair and patching of an existing system for managing personnel in the public service. Almost without exception, the critical judgments expressed in this report are directed to the faulty system and not to the people who have, in a very real sense, been its prisoners. The recommendations, it is hoped, will provide remedies for these defects by erecting a new foundation for sound personnel management in the public service.

THE GOVERNMENT OF CANADA AS AN EMPLOYER

The federal government is, by a wide margin, the largest employer in Canada. In performing its many tasks, it must deploy a broader range of skills on more functions and more diverse operations, conducted in more places and under more varied circumstances than any other single employer. Its manpower needs extend from unskilled labour, through trade, craft and technical skills, to the highly-trained scientific, professional, administrative and management classes.

Its activities range from the operation of icebreakers, aircraft, printing plants and atomic reactors, through the management of art galleries and museums, to the direction of research laboratories and television networks; from the issuing of family allowance cheques and the collection of income tax, to the broader reaches of international agreements.

No other single employer in Canada has a more demanding or complex job of personnel management, measured either in numbers or by the wide range of human skills which must be marshalled and used effectively. There is the additional challenge—or hazard—that every action of any employee may at any time be subjected to public scrutiny and political comment.

Nevertheless, the effective use of human resources in the public service is not basically a unique problem. Although the scale and complexity are greater, and special considerations must apply to a *public* service, in most respects the government faces the same problems as other large employers in achieving good use of its manpower. The government, for instance, must recruit in the same market and for the same skills as private employers. Its recruiting policies and

procedures, its pay and benefit policies, and all aspects of personnel administration affecting its image in the market-place must take account of this simple fact.

In terms of skills required, the manpower needs of all employers are in process of rapid change. Like large private employers, the government must understand these changing needs and adjust its recruiting, training and employee relations policies accordingly. Increasing attention must also be given to a whole range of personnel management problems hitherto largely neglected, or dealt with on a piecemeal basis at best. The government must be at least as ready as other large employers to take advantage of the rapid development of new knowledge about the effects of personal and group relationships on performance. With the largest and most complex personnel management problem in the country, the government can well be a leader in this field; it certainly cannot afford to lag behind, nor can the public of Canada afford the consequences of sub-standard performance.

However, it may not be appropriate for the Government of Canada to lead other large employers in fixing levels of compensation, benefit programmes and the working conditions of employees. In a broad sense, the course of action for the private employer, in any question of cost, is dictated by the forces of the market-place and the test of ultimate survival. The government is faced with questions of a different order and must establish, formally or informally, its own criteria for decisions on these cost aspects of personnel management. The standards it should seek to establish are more fully developed later in this report.

A second special problem of the government as an employer revolves around the use of the French language in the conduct of public business and the presence in the public service of Canadians whose mother tongue is French. Where complex issues raised by this problem have a practical bearing on personnel management in the public service, conclusions and recommendations have been reached and are stated elsewhere in this report.

2

THE SIZE AND COMPOSITION OF THE PUBLIC SERVICE

Excluding the special categories named earlier in this report, the Government of Canada has on its direct payroll about 216,000 employees spread over more than one hundred departments, agencies and miscellaneous offices. In addition, on average throughout the year, it contracts for the services of the equivalent of about 25,000 employees, not counting those for whom it provides employment through construction and purchase contracts, and research grants.

Between 1939 and 1946, the federal public service tripled in size, but since 1946, its continuing growth has been proportionately less rapid than the increase in population or gross national product. National defence, a growing population, economic expansion, and the additional functions assigned to government by the public have been the prime determinants of the present size. Barring significant new tasks for government, present staff levels should not rise proportionately as existing programmes are expanded to meet increasing population and income. In addition, because of its many repetitive clerical operations, the government is in a position to profit substantially from automation. Major adjustments and significant personnel problems will be involved, but a substantial reduction in the rate of growth of the public service should result.

More than three-quarters of the employees of the government are located outside the Ottawa-Hull area. The main concentrations are, of course, in the larger cities like Montreal and Toronto which have federal public service populations approaching that of Ottawa-Hull; and there are large concentrations in Halifax, Winnipeg and Vancouver. A small but significant percentage of the public

service is employed outside Canada, including representatives of the diplomatic service, of departments such as Citizenship and Immigration, Trade and Commerce, National Health and Welfare, and of certain agencies and corporations. This regional dispersion of the working force has certain implications for personnel management which will be commented on later.

The public service of Canada employs a large and growing professional group—lawyers, scientists, engineers, medical doctors, accountants, teachers, nurses, economists, statisticians, librarians, and others. It includes, too, an even larger technical group and a sizeable establishment of managerial, accounting and other administrative personnel. These groups, most of them highly trained, account together for between one-quarter and one-third of the public service. Another one-third is accounted for by the clerical group. Thus, office, professional and technical workers make up nearly two-thirds of the total work force, with those in crafts and trades, and other services, comprising the remainder.

In commerce and industry, the greatest current challenge to personnel management is posed by office workers, professionals, and technicians. Automation in offices, warehouses and laboratories is working drastic changes in organization, in the form of operations, and in the character and psychology of the people affected. It is evident that the government, with higher proportions of such personnel, faces similar problems of even greater magnitude.

Clearly, then, the government as an employer must be adequately informed about the characteristics of its human resources, the numbers available for present and future tasks, and the effectiveness of their performance. At present, there are serious inadequacies: it has been difficult, for example, to make any useful assessment of the composition of the public service because no uniform data have been compiled or collated in one central place. Government lacks the information it requires for adequate personnel management and planning. No central group is responsible for such analysis or planning, nor for ensuring that data are gathered by departments and agencies in forms suitable to central use. Some pioneering work has been done but few of the essential data and analyses have been developed. Within departments and agencies a similar situation prevails. It is concluded that there has been too little appreciation of the existence of essential tools of day-to-day personnel management that can be used for successfully matching resources and requirements.

Information on manpower in the public service should be helping departmental and central management to develop an informed approach to personnel problems. A continuous inventory of the existing work force, analyses of trends in its composition, together with forecasts of changes in work and skill requirements to which it must be adjusted, all provide information essential for devising appropriate policies for recruitment, promotions, transfers, training and de-

velopment, group productivity, turnover, grievances and accident prevention, to name only a few possibilities. A clear picture of the age and service composition of different occupational groups is also required in order to assess the suitability, as well as the cost, of proposed benefit plans or the actuarial implications of changes in pension, survivor benefit, and group life insurance programmes.

Steps should be taken to remedy the existing deficiencies. A continuing, central inventory of public service personnel is required for analysis and forward planning. Without such information, Treasury Board staff cannot reliably counsel the Treasury Board on personnel policy for the service as a whole. Nor, in relation to the departments, can it act as adviser, appraiser of performance, co-ordinator and catalyst for transfers across departmental lines. Manpower inventories and analyses are also important to departments and agencies in the management of their own employees. With these needs in mind, it should be the responsibility of the Personnel Division of the Treasury Board to specify the data to be submitted periodically by all departments and agencies. Since the Dominion Bureau of Statistics already publishes statistics on employment in the public service, it should also be charged with responsibility, under the direction of the Personnel Division, for collecting and preparing such information to meet the needs of personnel management in the government.

We therefore recommend that: Departments and agencies compile personnel statistics in accordance with a standard guide approved by the Treasury Board; and that such statistics be centrally tabulated by the Dominion Bureau of Statistics for use of the Treasury Board and departments.

3

AUTHORITY AND RESPONSIBILITY FOR MANAGEMENT OF HUMAN RESOURCES

In any undertaking, management consists in the disposition of financial resources and the direction of human resources. The effective use of people, in short, is a fundamental part of the management of an organization. The allocation of this responsibility within the management structure inevitably influences the use of human resources and determines the real effectiveness of performance.

In the public service of Canada, a number of historical and traditional factors have combined to produce an allocation of responsibility that is largely incompatible with attaining efficiency in an organization that has grown so large and complex. Responsibility and authority for personnel management are divided among the departments, the Civil Service Commission, and the Treasury Board and its staff.

While the Treasury Board and the departments may properly be regarded as parts of the management structure, the Civil Service Commission—even though it exercises managerial authority—has no managerial responsibility. It cannot be held accountable for effective performance of any of the tasks of government, since it is, in fact, an independent watch-dog responsible directly to Parliament itself. Departments and agencies subject to the authority of the Civil Service Commission find that in using a key resource—people—they are regulated and constrained by a body whose attitudes and criteria may be unrelated to their needs. Even the Treasury Board, which should be looked to by departments for broad policy guidance and co-ordination, too often appears to departments as a body exercising a negative control rather than as a part of central management.

Responsibility and authority for personnel management are not allocated in a uniform manner throughout the public service. The provisions of the Civil Service Act and the authority of the Civil Service Commission apply only to about 130,000 out of 216,000. A few specific and quite limited statutory exemptions were made in the Civil Service Act of 1918 and its subsequent amendments. However, the legislation included a provision permitting the Civil Service Commission to recommend to the Governor in Council partial or complete exemption in circumstances where the application of the Act in whole or in part would not be in the public interest. Most of the exemptions have applied to skilled or semi-skilled trades and manual labour, where conditions of employment may be directly compared with industrial practice. This accounts for a large body of "prevailing-rate" employees who are not subject to the Civil Service Commission, and whose pay rates and conditions of employment are determined by the Treasury Board.

Further major exemptions, however, have resulted from special statutes which, since the early thirties, have created many public agencies and Crown corporations. Some of these have almost complete autonomy in the field of personnel management, although frequently subject to some control by the Treasury Board. A few of these autonomous agencies have adopted independent personnel policies, others have tended to be satisfied with practices and procedures not differing greatly from those prescribed by the Civil Service Commission for the civil service.

The charges laid at the doorstep of the personnel management system, and largely confirmed by our investigation, can be bluntly stated: there is a waste of human resources, because of the failure to give orderly consideration to the best methods of providing and utilizing people and the consequent frustration of many individual careers; the procedures are costly and time-consuming; personnel management in departments is generally misdirected, mainly because accountability for the effective use of personnel is fragmented or virtually non-existent. The general conclusion, that departments and agencies should be vested with the responsibility and authority to manage their own personnel, is supported in later sections of this report by an examination of particular deficiencies in present methods of dealing with most aspects of personnel management.

The foregoing conclusion has a direct bearing on the much debated question of bringing the presently exempt agencies and their employees under the Civil Service Act. The building of a unified public service, an early aim of high policy, has failed because of the frequency with which Parliament has set up Crown agencies and corporations exempt from the provisions of the Civil Service Act. No guiding principle governing these exemptions is evident, but there can be

no doubt that in many cases the objective was to permit management to operate with a freedom denied to departments generally.

The inconsistency of granting necessary autonomy in personnel matters to some branches of the service and denying it to others, whose need in most cases is equally great, has resulted in confusion and resentment. The wide variations in the extent of authority granted departments and agencies are unjustified, but emphasize the central defect of the Civil Service Act in failing to recognize that efficient performance cannot be secured where intervention in the supervisory process by a non-managerial body displaces the exercise of necessary authority by departmental management.

The full significance of our central conclusion now becomes clear; if all departments and agencies were empowered to exercise that responsibility and authority for management of human resources which is essential to good management itself, the anomalies would be removed at a stroke. The agencies that are now free from the strictures of the present Civil Service Act would then be quite happily reunited with the older, traditional departments and agencies in a unified public service. In future, then, exemption from a properly revised Act and from the jurisdiction of a Civil Service Commission filling its proper role need only be granted to such Crown corporations and agencies as those excluded from the public service, as previously defined. (p 218)

The proposed devolution to departments of increased responsibility and equivalent authority for personnel management should be accompanied by the development of appropriate central machinery for working out the general policies of the government as an employer so that departmental managers will operate with some degree of uniformity and consistency. This central machinery ought to provide not only for general policy determination and co-ordination within the public service; it should also be the focal point for evaluating the personnel components of departmental programmes, and the way in which the total responsibilities for personnel management are discharged. In short, responsibility and authority must be backed by accountability.

In the report of your Commissioners entitled *A Plan for Management*, it is proposed that the functions of central policy formulation, co-ordination, and evaluation should be the responsibility of the Treasury Board and a reconstituted Treasury Board staff. The Personnel Division of that staff, working in close conjunction with the Programmes Division, would be specifically concerned with advising the Board on all matters having to do with employees.

At present, establishments are reviewed and approved more or less separately from the review and appraisal of programmes, although a close integration between the allocation of human resources and the determination of programme

expenditure is essential, both within the Treasury Board and within departments themselves. Personnel management and financial management are so continuously and closely intertwined that decisions on these matters should not be taken independently.

↓ The present “establishment review” procedure violates this principle and provides a classic example of the distortion that results when concentration on procedures and control submerges concern for objectives. Effective execution of authorized programmes is often frustrated by the inability to assemble the required number of people of the right calibre at the right time. The establishment review, together with arbitrary controls on recruitment, transfers and promotions, separates staffing decisions and action from the personnel requirements of programmes. The procedure is costly in terms of money, effort, paperwork and time, for the departments, the Civil Service Commission and the Treasury Board alike. A premium is placed on overstaffing as a protective device. Attention is diverted from real manpower requirements to an intricate process of bargaining for increases in authorized staff levels. In place of quick adjustment to altered circumstances, the review necessitates a procrustean adjustment to faulty and inflexible establishment authorizations.

The assignment to departments of appropriate authority over their own personnel will mean that, as under the provisions of the new Civil Service Act, the Commission will not be involved in the process of establishing departmental needs and approving manpower budgets. On the other hand, the proposed Personnel Division of the Treasury Board should be directly involved, along with the Programmes Division, in assessing manpower requirements. In this way, human resources will be considered along with financial and other physical resources when priorities are established and performance is appraised. Moreover, when departments find their approved requirements need to be altered to meet new assignments, adjustments based on sensible appraisals will be rapidly made.

At the same time, proper vesting of manpower responsibility in departments should enable them to act within the limits of authorized manpower budgets, related to approved programmes. They should be allowed to deploy their human resources, unfettered by detailed limitations on the number of personnel in particular classifications or units. This freedom must, of course, carry with it accountability for performance. One of the major functions of the Personnel Division will be to assess the effectiveness with which departments use their personnel, subject to approved budgets and to broad policy guidance by the Treasury Board.

As in every field, the effectiveness of personnel management must rely primarily on the quality of those people who are to be given responsibility and

authority. Your Commissioners have stressed in their "Plan for Management" the need for people of a superior calibre to serve the reconstituted Treasury Board staff. The Personnel Division, like the rest of this group, should be a combination of experienced officers drawn from departments and agencies, and of persons of promising potential, for whom experience in the Division will provide a preparation for more senior appointment in a department. The Personnel Division should be a small select group, but its career links and daily working contacts with departments should be designed to prevent it becoming remote or autocratic.

The staffing of the personnel function within departments needs to be completely transformed, particularly in those departments and agencies hitherto subject to the jurisdiction of the Civil Service Commission. Today, departmental personnel spend far too much time handling paperwork and manoeuvring within the existing controls, or circumventing them where necessary by ingenuity or personal connections. Endowed with proper authority under a minister, the deputy minister will be responsible for a wide range of policies, procedures and decisions governing the use of human resources. He will no longer be able to look to control bodies either to relieve him of his responsibilities or to serve as scapegoats for his own failures.

The deputy minister, except in very small departments, will require a chief personnel officer, similar in status to the chief finance officer recommended in your Commissioners' report on *Financial Management*. Such an officer must be capable of providing competent counsel and staff assistance for the personnel aspects of management within his department. He should be given an independent status, not inconsistent with responsibility to his deputy, which will confer on him genuine influence in his department and with the Personnel Division of Treasury Board. His career opportunities will depend in large measure on central management's assessment of his performance.

Selection of chief personnel officers and their rotation from one post to another should be a concern of the Personnel Division of the Treasury Board. All such appointments should be subject to the concurrence of the Treasury Board. Over a period of time, this procedure should ensure that chief personnel officers have a high level of competence and a suitable degree of independence. It should also result in adequate career opportunities for personnel specialists at all levels in the public service. One of its most valuable by-products will be the added assurance that, in a service where the managers of the public business have proper autonomy in personnel matters, the integrity of the public service will be properly guarded when decisions are taken on transfers, promotions and salaries.

The personnel function in the departments will embrace a wide range of

specialized tasks whose importance to effective management will be examined later in this report. It will include: recruitment, selection, promotion, classification, compensation and benefits, training and development, employee communications and staff relations. Resources will be required for analyzing manpower data and maintaining appropriate personnel records.

Where a proper assessment of needs and costs suggests that the personnel staff group would not be large enough to cover all these aspects of the personnel function, departments should be able to draw on the advice and guidance of the Personnel Division of Treasury Board. Competent professional assistance should be available on a part-time or temporary basis from the personnel staff groups employed in larger departments. An appropriate fee should be charged the users for such services, where they are rendered on a continuing basis.

These proposals are founded on a concept of the personnel function that has not been generally recognized in the federal public service. They depend for their success on a body of personnel officers equipped for the new role by knowledge and experience. Most of all, they depend upon an understanding by supervisory staff of the personnel component of their management responsibilities and on proper use of the experience of competent personnel specialists.

None of this can be achieved overnight by statute, by order in council, or by Treasury Board regulation. It will take time to build the right attitudes and develop competence and experience on a wide enough scale. Initially, it will not be easy to staff the new Personnel Division serving Treasury Board, or to select competent chief personnel officers for all departments and agencies requiring them. One fruitful source of such talent, apart from senior staff of the Civil Service Commission, may be officials presently employed as supervisors or administrators who are not now considered personnel specialists, but have suitable experience and ability. In the transitional period, recruitment of experienced personnel specialists from outside the public service may also be desirable, as may be the use, from time to time, of outside consultants.

- We therefore recommend that:*
- 1 Departments and agencies be given the requisite authority to manage their own personnel and be held accountable for efficient performance.
 - 2 To facilitate creation of a unified public service, currently exempt agencies and staff be brought under a Civil Service Act revised to confer on departments and agencies responsibility for personnel management.

- 3 A central Personnel Division be created under the Treasury Board, staffed by rotation, to assist the Board in framing policy and standards relating to personnel administration, and in the appraisal of the application by departments of such policies and standards.
- 4 Within departments and agencies, the personnel function be strengthened by the appointment of Chief Personnel Officers, with appropriate staffs of personnel specialists; and the appointment of Chief Personnel Officers be subject to the concurrence of the Treasury Board.

These recommendations are intended to apply to all departments and agencies previously designated as coming within the definition of the public service of Canada. The Crown corporations with a commercial orientation and the other agencies which, for reasons of public policy, have been granted varying degrees of independence from the executive, will not be affected by these recommendations.

4

STAFFING THE PUBLIC SERVICE

RECRUITMENT, SELECTION, APPOINTMENT

The government has a special problem, (not encountered by employers generally) in recruiting for the public service: the pressure of improper influence on appointments. Such influence can seriously impair the quality of the public service, and the need for special machinery has gained wide public acceptance. The Civil Service Commission, like comparable bodies in other governments, has been the main protective device for the Canadian public service. However, since appointments to about half the public service are not subject to any control or audit by the Commission, the protection is by no means universal. There is evidence that, outside its jurisdiction, particularly among the prevailing rates employees, appointments influenced by political or other pressures are a recognized and accepted fact, although many Crown corporations and agencies have taken advantage of their autonomy to avoid patronage with as much success as where the Civil Service Commission is in control.

It was the intention of the Civil Service Act of 1918 to establish the "merit principle" as the guide to recruitment, selection and promotion in the public service. The merit principle has been endorsed in all subsequent appraisals, and has the full support of your Commissioners. A distinction, however, must be made between the merit principle and the "merit system", i.e., that collection of rules, regulations, policies and procedures peculiar to the Canadian civil service which have been designed to implement the principle. The merit system, in many of its current practices, frustrates the attainment of the principle; in its name many absurd procedures are tolerated; the system has become an end in itself, overriding the need to "get the job done"; and all too frequently it has

engendered such delays in the attempt to get the "best" man that his loss to a more nimble employer was ensured. It is paradoxical, to say the least, that a system designed to improve the public service by eliminating improper influences on appointments should exact, in the process, such high costs.

The public service has grown to such size and complexity, and its functions now have such import for the daily affairs of Canadians, that a recruiting system, originally framed as a protective device, should now be freed of administrative accretions not necessary to this purpose. The Government of Canada can no longer afford self-imposed restrictions on its competitive position in a labour market where many of the most important skills are scarce. Nor can it afford the large costs of departmental inefficiency that result directly from long and unnecessary delays in filling positions. Successful steps in this direction have long since been taken in the public service of the United Kingdom, the United States and other countries. Canada can neither plead that its present costly and contrived procedures are still necessary, nor deny that there are tested precedents for a more rational approach.

Partisan or other pressures can be effectively checked if all permanent appointments to the public service continue to be subject to the approval of the Civil Service Commission. The sole purpose of this approval and its only significance is that the Commission should be satisfied that selection has been free from partisan considerations, and that the method used has been reasonably calculated to obtain personnel qualified for the position to be filled.

Were the Commission permitted to view its task in these terms, it would be able to approve departmental appointments on an individual basis without imposing procedural and other requirements involving intolerable delay and cost. Only if Commission approval is based on firm understandings with the departments about selection procedures and criteria can such cost and delay be reduced. The higher the level of skill sought and the scarcer the skill, the less formal and rigid need be the agreed procedures and criteria.

The Civil Service Commission's present responsibility for recruitment and appointment extends beyond protection against improper external and internal pressures; it includes a responsibility under the Act to provide equal right of access to positions in the public service for all qualified Canadians. Again, costly and time-consuming procedures are required to provide these guarantees: country-wide competitions are held and, frequently, interview boards of senior officers travel from coast-to-coast to interview candidates for a particular position.

Parliament, by the 1961 civil service legislation, has recognized that there may be room for less rigid and formal approaches. Application has still to be given to the new discretionary powers granted to the Civil Service Commission

with respect to conferring authority on departments to manage their own personnel. There is virtue in a 'representative' public service but neither this objective, nor the principle of free competition, requires continuance of the elaborate approaches which were under observation during the course of this manpower study.

It can be argued that the practice of specifying in narrow detail the qualifications required in candidates has been carried to such extremes as to obstruct rather than guarantee equal access to the public service. Government must search as assiduously as any other large employer for people with a wide variety of scarce skills and professional qualifications to serve in all parts of the country. For this purpose, there is no longer any need for the Civil Service Commission, or any other independent body, to ensure equal right of access to the public service—except by guaranteeing that improper influence plays no part in selection.

We therefore recommend that: The Civil Service Commission should certify all initial appointments to the public service to ensure that selection has been made in accordance with appropriate standards.

Recruitment and selection are obviously of such critical importance to management that they should be prime responsibilities of the departments, who know their own needs and who will become, if your Commissioners' proposals are adopted, more closely accountable for their own performance. It is not logical, therefore, simply because the Civil Service Commission acts as a recruiting agent for departments, to attach controlling powers to this service.

Nonetheless, a common recruiting agency for the public service provides an economical and orderly means of approaching the labour market. Some special body might fill this service role, but a number of practical considerations suggest that it be filled by the Civil Service Commission: the Commission is in a position to serve all departments; it already has regional officers (essential if the needs of the service outside Ottawa are to be met); and its responsibility for ensuring against improper influences necessarily involves it in approval of initial appointments.

A common recruiting service will not be appropriate to all needs. It may offer little or no advantage, for instance, in the employment of special categories, such as ships' crews or trades and craft personnel, now largely included in the "prevailing rates" groups. Because the test should be administrative convenience, Treasury Board should, from time to time, decide whether particular categories of personnel might better be recruited directly by the departments and agencies concerned.

About ninety-five per cent of all initial appointments to what are now classified positions in the public service are made at starting salaries up to about \$5,200. As a practical matter, the Commission should have responsibility for recruiting, selecting and assigning persons of its choice to departments in response to their requests for staff in this bracket. The suggested level is an arbitrary dividing point which seems sensible in today's circumstances, but it should be adjusted as wage and salary levels change over the years ahead so as to retain the same practical meaning for the allocation of responsibility for recruitment and selection.

Above some such arbitrary dividing line, responsibility for recruiting their personnel (just five per cent of the total) should be assumed by the individual departments and agencies. This procedure is already foreshadowed to some extent by the new Civil Service Act which permits the Civil Service Commission to delegate to deputy heads "any of the powers or functions of the Commission under the Act in relation to the selection of candidates for a position." Your Commissioners go further, however, in recommending that this authority should not be exercised by a department as a matter of delegation from the Civil Service Commission, but as a matter of right to be used responsibly by each department. Selection of senior personnel must be carefully geared to the needs of the position to be filled, since the efficiency of a department's working force depends on the capacities of such persons. The onus of the selection should fall on the deputy head. However, as a practical matter, departments might often solicit the aid of the Commission in their search for suitable personnel.

This suggested division of responsibility would relieve departments and agencies of the great bulk of recruiting procedures by leaving to the Commission the selection of personnel for whom the needs of departments and agencies are least specialized. The selection of all key and highly specialized personnel would be left fully in the hands of departments, subject to general policy control.

Even below the suggested level, where the Civil Service Commission will be directly involved in the selection process, it is essential to stress its responsibility for rendering service. It should be guided by departments on qualifications to be sought for particular needs; it should accept the judgment of departments about needs, either in numbers or timing (although it should be able to advise an optimum timing of recruitment); and it should, in appropriate circumstances, e.g., in most recruiting of college graduates, invite departments to participate in the evaluation and selection of candidates. Above all, the Commission, in its common service recruiting role, must ensure that the government as an employer competes effectively for required skills and that appointments in the public service are filled without waste of time. Effective conduct of the

nation's business should brook no delay because of unnecessary procedural complexity in recruitment.

- ✓ We therefore recommend that:
- 1 The Civil Service Commission should continue to provide a common recruiting service for the public service, except where the Treasury Board decides that administrative convenience warrants direct recruiting by the department or agency.
 - 2 Departments and agencies be empowered to recruit their own personnel above a proposed (say \$5,200) salary level. *(i.e. initial level least above this)*

The most careful selection of new recruits to the public service, whether by a common recruiting agency such as the Civil Service Commission or by a user department, will not ensure perfect results. For this reason, proper use of the probationary period, now normally one year under the Civil Service Act, is vitally important to good staffing. It should be a clearly understood responsibility of supervisors to assess the performance and general suitability of new employees throughout the probationary period. Well before the expiry of the probationary period, a definitive assessment should be made, as a basis for deciding whether the employee should be retained in the public service. In the final analysis, such an assessment is very much in the interests of both the department and the individual. Permanent status should be the result of conscious decision by the department immediately prior to the expiry of the probationary period. With properly qualified supervisors, authority for decision on this subject can and should be delegated throughout the supervisory structure.

SPECIAL PROBLEMS

Staffing of the federal public service cannot be adequately discussed without some reference to bilingualism and the recruitment of people whose first tongue is French. Valid arguments have been advanced that the public service should be representative of the country as a whole. The special position of French-speaking Canadians, in our history and constitution, in proportion of total population, and in language and cultural character, is of particular importance to the representative character of the public service. Without the confidence and respect of most citizens, it is doubtful whether the public service can be truly effective, and it is highly desirable that French Canada should share a proper feeling towards the federal public service.

Certain specific aspects of this problem fall within the terms of reference of your Commissioners. Many feel that service to the public can be provided acceptably only if citizens are able to deal with members of the federal service in whichever of the two official languages they happen to speak. In this regard, direct contacts between the public service and the public at the local level have been regulated by legislation since 1938. In that year the Civil Service Act was amended to stipulate that:

. . . no appointment, whether permanent or temporary, shall be made to a local position within a province, and no employee shall be transferred from a position in a province to a local position in the same or in another province, whether permanent or temporary, until and unless the candidate or employee has qualified, by examination, in the knowledge and use of the language, being the French or English language, of the majority of persons with whom he is required to do business.

However, members of the public sometimes have to deal with the headquarters' staffs of departments and agencies at Ottawa. Here, particularly at the higher official levels, the situation is different, for only a few deputy ministers and other senior officers are able to converse fluently in French. The Civil Service Act of 1961 contains the following new section, in place of the 1938 provision quoted above:

The number of employees appointed to serve in any department or in any local office of a department who are qualified in the knowledge and use of the English or French language or both shall, in the opinion of the Commission, be sufficient to enable the department or local office to perform its functions adequately and to give effective service to the public.

The effect of this broadening of the statutory provisions cannot as yet be measured. However, its application is bound to be influenced by the fact that most people recruited into the public service are likely to speak only one language. It is not within the power of the federal government to alter this condition. It is, however, within its power to improve the language qualifications of its own employees. A useful first step in this direction would be to provide courses in both languages and to assist public servants, on government time if necessary, to become genuinely bilingual. This should be done on a selective basis which recognizes the areas of greatest need, both geographically and among the various occupational groups within the service. Every encouragement should be given to employees who acquire facility in the other language, to use it in communicating with the public and in the daily conduct of their business.

Service to the public is one facet of the question; an adequate supply of the right kinds of talent is another. The more difficult it is for the government to compete for the higher level and wider range of skills it now requires, the less it can afford to be unattractive as an employer to potential employees in any large segment of the population. Yet the federal government has been less success-

ful in recruiting and retaining highly qualified French-speaking Canadians than it has been with others. There is no single, simple reason for this, but it is a problem that needs attention. It has been suggested that civil service competitions are generally related to the educational background of English-speaking Canadians and are not therefore appropriate to the educational background of French-speaking candidates. This should be relatively easy to correct.

A more troublesome problem, particularly in the Ottawa area, lies in the fact that most business is carried on, within the service and with the public, in English. French-speaking public servants, consequently, find themselves for most practical purposes in an English-speaking working environment. Moreover, they are likely to feel a sense of severance from familiar social institutions—which may also be experienced, to a lesser extent, by public servants recruited to Ottawa from other parts of English-speaking Canada.

Until a sufficient number of graduates of French-language universities are brought into the federal service and retained, the promotion of French-speaking Canadians to senior ranks in reasonable numbers will be inhibited. Today there is a relatively large proportion of French-speaking personnel in the junior ranks of the public service but a low proportion in the senior ranks, and the fact that French-speaking deputy heads are usually appointed from outside the service may not prudently be ignored. Clearly, the public service must take positive steps to promote a more congenial atmosphere which will attract and hold suitably qualified French-speaking Canadians.

- We therefore recommend that:*
- 1 The federal government adopt active measures to develop bilingual capacities among its employees on a selective basis.
 - 2 The government intensify its efforts to attract and retain more of the highly qualified young people of French Canada capable of advancement to senior ranks.

Another special aspect of recruiting procedures is the preference accorded to veterans, who constitute about forty per cent of all civil servants. In those departments and agencies to which the Civil Service Act applies, veterans, as defined in that Act, constitute a preferred category. Thus, when a ranked list of eligibles is set up for appointment to a particular position, all veterans who meet the minimum qualifications automatically go to the top of the list, regardless of merit. In 1946, immediately after World War II, sixty per cent of all new appointments to the civil service involved war service preference. Fifteen years later, the proportion was approximately ten per cent.

Whether or not the absolute preference provided by the Civil Service Act is genuinely in the interest of veterans is at least arguable. There is evidence that specifications for positions are sometimes written with the deliberate purpose of making it impossible for a veteran to qualify, because as has often been said, "when a veteran meets the minimum qualifications, there is no competition". In the United States, veterans enjoy a preference at initial appointment to the public service which is not absolute, but consists rather of adding a specified number of points to the veteran's rating in the competition. For certain classes of positions in the United Kingdom, there are special competitions, with a specified quota of vacancies allocated to ex-servicemen. In both these nations, veterans make up a larger proportion of the working population than is the case in Canada.

We therefore recommend that: The veterans' preference should apply to initial appointment to the public service and should consist of a bonus of points to be added to the marks achieved by veterans in competitive examinations.

PROMOTIONS AND TRANSFERS

A striking feature of civil service mores is an apparently widely-held belief that special protection must be provided in the public service not only against political influence in appointments, but also against what is called "internal patronage". By this is meant protection against arbitrariness, nepotism, and favouritism, all alleged in some quarters to be inherently characteristic of the managerial and supervisory ranks of the public service. The present role of the Civil Service Commission as protector of the individual employee in questions of transfer, promotion and salary increments derives from this fear, and from the belief that intervention of an independent authority is necessary to ensure preferment on the basis of merit.

No convincing evidence has been found that any special factors distinguish the public service from other employment in this respect. Consequently, it cannot be concluded that civil servants need special protective machinery which employees outside the public service do not have. Moreover, there is an impressive array of evidence that the procedures and machinery created to prevent internal patronage have imposed upon the public service a very high cost in terms of delay, unfilled positions, poor selection of personnel, and general frustration of responsible supervisors.

As in the private sector, the best guarantee that performance and capacity in the public service will be recognized as they deserve consists in a management

fully accountable for results and adequately staffed to make personnel decisions in light of performance objectives. Many civil servants, as well as staff associations, subscribe to a negative system of protection. But few of them have had experience under other rules, where good management regards the rewarding of performance and maintenance of morale as prerequisites for productivity, and therefore assigns high priority to fair and objective treatment of its working forces.

We therefore recommend that: Promotions and transfers be made by departments within general guide-lines established by the Treasury Board.

Efficiency in the public service requires that the filling of vacancies in, and promotion to, key positions be based upon an intensive and far-sighted programme of staff development. Such a programme should form an integral part of the whole management process in each department, but it should be sufficiently formalized to ensure that it is continuously operative, and to this end guidance and co-ordination from the Personnel Division of the Treasury Board will be essential.

The procedures and objectives of such a staff development programme may be briefly summarized. At least annually, each supervisor should consider and review with his superior the performance of each employee for whom he is responsible. The employee's potential should be assessed, both in the near term and over his career, not overlooking possibilities offered by the public service as a whole; and regard should be had to the value which any particular training or new assignment might have for him. This process, working up through the department, would enable senior officials to assess their replacement resources for each key job. The deputy minister and his senior colleagues in this manner should become familiar with the performance and qualifications of all those in the department considered to have important potential for advancement either within or outside the department.

The Personnel Division of the Treasury Board staff should participate in the proposed staff development programme by ensuring that each department devotes to employee assessment the time, energy and attention required. Thus, the Personnel Division and the departments will learn the areas of weakness and the resources available, both currently and for the future. Properly carried out, these procedures will reduce the tendency of departmental managements to think parochially about their own recruiting needs and about career opportunities for their able personnel. Many more transfers will advantageously be made across departmental lines and between branches of a department than now take place.

Present rules provide that the search for candidates in other departments be undertaken by means of interdepartmental competitions, under the aegis of the Civil Service Commission. The elaborate procedures, coupled with the right of any unsuccessful candidate to appeal the results of a competition, engender highly unsatisfactory delays in filling vacancies. Interdepartmental competitions would no longer be mandatory were authority for appointment (other than on initial entry to the public service) vested in departments. However, as a practical matter, departments might advantageously call upon the Civil Service Commission to act as their agent in conducting such competitions.

Many departments and agencies have large staffs in the field. For most field personnel, Ottawa is a remote and impersonal source of regulations, requirements, and most decisions of consequence. Action should be taken to improve this relationship by developing communication between headquarters and the field that will foster common understanding about policies, objectives, and standards of performance. This step is essential if the responsibility and authority of field personnel is to be enlarged to permit good management at the local level. The annual evaluation of personnel referred to above assumes, therefore, particular importance in relation to field personnel and positions.

Transfers of personnel, for career development purposes, from one field unit to another, from the field to headquarters or from headquarters to the field, are noticeably fewer than in well-managed, private organizations operating nationally. Responsible posts in the field should be seen by all as training and recruiting sources for headquarters' personnel. Supervisory and managerial staff, in the field and at headquarters, should recognize that both their own careers and the interests of the public service may require them and their families to move. Thus, present short-sighted attitudes and artificial barriers to transfers should be removed. Existing regulations governing removal expenses will scarcely stand searching examination either in terms of equity or of good business sense. A transfer arranged in the interests of the service and of proper career development for a valuable public servant should impose neither financial penalty nor other reasonably avoidable burden on the man and his family. The infliction of hardship on a moving employee, which now occurs all too frequently in the guise of protecting the public purse, amounts to sheer mismanagement.

Forward planning of manpower requirements, carried out on a consistent and continuing basis, should ensure that departments anticipate prospective manpower shortages and surpluses in particular branches. Surpluses may arise from the planned elimination or reduction of functions or programmes, or from the introduction of new operational techniques. The Personnel Division of Treasury Board should be in a position to direct surplus staff, so identified, in one

department, to areas of need in another. Certainly, through its continuous contact with departments it should be able to forestall one department hiring externally staff categories that are, or shortly will be, surplus in another part of the public service in the same location.

In some cases, the acquisition of new or improved skills must precede new assignments. Such situations should be met, so far as possible, by the training programmes of the departments or, where appropriate, by interdepartmental training programmes. In other cases, when the Personnel Division has determined that there is no early prospect of suitable alternative employment, departments must exercise their authority to lay off surplus employees. Such lay-offs are required by both the basic departmental concern for economy and the need to avoid the debilitating effects of overstaffing.

Lay-off of redundant staff must be undertaken so as to ensure equity of treatment, particularly for the long-service employees. As yet, the public service has nothing comparable to severance pay (except the gratuity in lieu of retirement leave for which certain public servants are eligible) or to specially supplemented pensions in case of forced early retirement. In this era of automation, it is advisable to have some such plan protecting civil servants, particularly those with relatively long service.

TRAINING AND DEVELOPMENT

Like promotions and transfers, and allied to them, the conduct of training and development programmes is inherently a management responsibility, requiring proper appraisal of the individual and close knowledge of the work situation and performance needs. Properly conceived, such programmes become a valuable component of effective supervision, but they cannot be planned or evaluated in isolation from the work situation; they should also be closely related to rapid changes in technology, in organization and in management itself.

Responsibility for such programmes is now shared between the Civil Service Commission and those departments and agencies under its jurisdiction. Your Commissioners are forced to conclude that, in general, training and development have received inadequate attention in the public service for many years. Earlier investigations have reached a similar conclusion—the 1919 Arthur Young Report, the 1946 Report of the Royal Commission on Administrative Classifications in the Public Service, and the 1958 Report of the Civil Service Commission on Personnel Administration in the Public Service.

Current training programmes, many of them interdepartmental in character, have been constructed too often on an academic foundation somewhat divorced from the needs of the individual and his work. This situation is to be expected

wherever training is treated either as an isolated activity to be planned and provided by specialists or as a bonus offered to individuals in recognition of good performance, rather than as a well-conceived step in career development for the mutual benefit of employer and employee.

Training and development ought to be closely related to appraisal and career planning, to changes in job requirements, and to the need for upgrading skills. Formal courses should merely supplement the continuing, and usually much more important, on-the-job coaching which is a basic part of good supervision. In any effective programme, well-planned job rotation is essential. Formal training courses away from the job are probably most advantageous when special craft or technical skills are to be taught, or when supervisory and managerial personnel are to be exposed to broader perspectives on their role and on the skills and attitudes involved.

Formal courses, therefore, should be only the more visible part of the total programme. Their content should be closely and continuously related to the needs of individuals and of the work situation. For this reason, departments should select the appropriate candidates, determine the content and operate their own training programmes. Departmental training specialists, usually in the personnel staff groups, will be required to help diagnose training needs, devise appropriate programmes and give training courses, all in close collaboration with departmental supervisors and management.

The function of the Personnel Division of the Treasury Board, as in other related fields, will be to guide, inspire and evaluate. For this purpose, it needs a relatively small group of qualified and experienced persons, who will not themselves act as instructors but will keep in close touch with the training specialists in each department and agency so as to be generally aware of training needs and able to help in identifying them. They should keep themselves closely informed of new developments in thought and technique throughout the whole training and development field outside the public service.

It is evident that there will be advantage in some interdepartmental training programmes of a formal kind. Supervisors, managers, and some professional people will be able to benefit from conferences and courses providing orientation in the functions, organization and management problems of the public service as a whole. Some public servants will need to improve their skills or acquire new skills to adjust to the impact of office automation affecting several departments and agencies. In such situations, there will be value in some service-wide training courses, seminars and conferences, and in some common training facilities.

As a practical matter, interdepartmental training programmes could be conducted on a service basis by the Civil Service Commission. The Personnel Divi-

sion of the Treasury Board, in co-operation with the departments, would continuously relate the total programme to departmental needs. The training branch of the Civil Service Commission should maintain contact with operational management and consequently its instructors should be drawn on a rotational basis from departmental training groups or from the Personnel Division.

Questions have been raised about the desirability of setting up a staff college for the public service. Our conclusion is that this should not be done. The public service of Canada, like any other large and complex organization, has a natural tendency to become ingrown. The managerial perspectives and competence required in senior public servants are not in any significant degree peculiar to public administration. The problems faced, the skills and the attitudes needed, are very like those in large private enterprises or in many semi-public, non-commercial organizations.

Much of the most fruitful progress in this type of training is taking place in academic institutions and in large private organizations. The public service of Canada will benefit if it exposes its best people to the experience and thinking of persons outside the service. This can be done most readily by sending selected people to the many excellent short courses now provided by universities and other bodies interested in management as a changing art. The Government of Canada should be prepared to make a substantial annual investment in such development opportunities, for any attempt to meet the need internally is certain to be more expensive and less rewarding.

PROFESSIONAL AND SCIENTIFIC PERSONNEL

The Government of Canada employs a large number of professional and scientific personnel and, in common with many other employers, finds a growing need for their skills. To compete effectively in the market for such personnel, recruiting methods must be sufficiently flexible to permit offers to be made as speedily as by other employers. Delays now encountered will be reduced if, as recommended, departments and agencies are empowered to recruit and select their key personnel, with the Civil Service Commission ensuring that appropriate recruiting standards are being followed.

The government must do more than perfect its recruiting techniques if it is to compete effectively for these scarce skills. It should offer challenging and rewarding work in environments fully compatible with professional values. Outside contacts need to be encouraged and supported, as well as opportunities to obtain scholarly recognition by publication and similar means. Traditional structures of organization and authority should be modified in order to develop a pattern of supervision and direction that is adapted to groups that, by and

large, are regulated by their own self-imposed codes of professional conduct. Compensation should be related to professional performance and brought into line with salary scales in the administrative hierarchy. Otherwise, competent specialists may be forced against their real interests, as they frequently are at present, to desert their own fields for administrative roles. On the other hand, the professional with a genuine flair for administration should not be excluded from consideration for a senior administrative position.

The government has an uneven record in acquiring and retaining talented professional and scientific personnel. On the whole, its compensation policies for scientists have been more satisfactory than for most other professional groups—although scientists of equal quality enjoy better career-earning prospects in some units than in others. Scientists as a group have tended to receive more challenging work and more opportunities for growth than have many of their colleagues in the other professions. Economists and statisticians in most departments appear to have reasonable opportunities for external contacts and for publication.

The verdict, then, must be that the general working conditions for the scientist and professional vary substantially because no comprehensive assessment of the needs has been made. The Personnel Division of Treasury Board should be in a position to stimulate new thinking and new approaches to the effective use of each professional or scientific class.

A question of some importance is whether a department employing significant numbers of professional and scientific personnel should be headed by a deputy minister who is himself a member of that group. In considering this question, a review has been made of practice and experience in commerce and industry and in the governments of the United Kingdom and the United States. No universal rule can be applied to cover every situation but, in general, deputy ministers should not necessarily, in our opinion, be drawn from the ranks of the specialists.

There may be valid arguments, under special circumstances, for deviating from this arrangement, but, in the long run, the real test is that the permanent head of an agency, whether a trained specialist or not, is an administrator of proven competence. Experience suggests that in such departments the deputy should be supported by a professionally-trained principal lieutenant, bearing responsibility for the particular needs of the specialist group and for the professional or scientific aspects of its work. Scientific research groups may well constitute an exception to the general principle, for it is often desirable to have them headed by persons whose professional competence will attract research scientists of high calibre.

WOMEN

The Government of Canada is the nation's largest employer of women, having more than 65,000 on its payroll as of September, 1960. This reflects the high proportion of jobs of the sort normally staffed by women. The policy of equality of treatment for women, which is implicit in the Civil Service Act, is not fully implemented in practice. Traditional views on the suitability of women for many types of work and kinds of responsibility, as well as real factors of cost resulting from higher absenteeism and turnover, undoubtedly combine to produce this result.

The government, in employing women, is not precluded from pioneering new standards for the community. Indeed, because of the number and wide range of jobs which it has to offer to women, the Government of Canada has a better than average opportunity for giving creative leadership. Evidence reveals that Canada is trailing behind the United States and the United Kingdom in terms of the number of women it allows to reach senior positions in the public service.

5

EFFECTIVE PERFORMANCE IN THE PUBLIC SERVICE

Effort and expenditure devoted to improving the quality of the public service are largely wasted unless they are balanced by measures to ensure effective performance in the day-to-day work situation. Here the public service is lagging: there is little evidence of a clear conception of objectives or of a thorough appraisal of means for achieving them. The knowledge being made available to managers today by social scientists and the increasing body of experience in commerce and industry have scarcely been tapped. No central managerial group in the public service has under review or has stimulated others to think about work measurement and other performance factors. Nor have the departments acquired the resources or the authority to attack these matters.

THE ROLE OF THE SUPERVISOR

For some years private industry has noted with increasing concern the erosion of the responsibilities and influence of the foreman. This change has weakened the foreman's ability to act as an effective channel of communication with employees and as a medium for enlisting their support for the objectives of the enterprise. In the public service, this unsatisfactory position has been the accepted pattern for all levels of supervision up to and including the deputy minister. Central controls have deprived senior supervisors of any independent role in hiring, promoting, disciplining, or even controlling work assignments of their employees. At every point, central restrictions, legislative prescription, and the generally-held philosophy that supervisory discretion is an evil to be guarded

against, have inhibited proper supervisory performance within departments and agencies.

A drastic recasting of this position is now proposed. The recommendations of your Commissioners are founded on the conviction that the public service, like any private organization, can achieve effective performance and provide fair and rewarding working conditions for employees only if supervisors are given the necessary authority for proper direction of their subordinates and are continuously judged by their actions. It must be expected that many supervisors and managers in the public service will be faced with new challenges which they may be ill-equipped to meet. As a result, perhaps, of the inconsequential nature of present supervisory positions, selection has been based too little upon sound standards of suitability; and few so chosen have had adequate opportunity to learn from experience. Both deficiencies can be overcome.

The future needs of the public service include energetic and continuing programmes for developing management skills and deepening understanding of the supervisory role. These programmes should make use of all the training techniques available. Conferences, seminars and formal courses have obvious uses; but experience on personnel committees and with grievance machinery contribute to the development process, as does the basic on-the-job relationship between the supervisor and his immediate superior. The public service needs to develop supervisors who understand their role and discharge it more effectively by familiarizing themselves with the attitudes and responses of subordinates to their working environment.

Two important elements of good supervision are the supervisor's responsibility for discipline, and his responsibility for judging performance and competence. With both these responsibilities must be associated authority to demote, suspend, or dismiss. Dismissal for either misconduct or incompetence should be infrequent if there is good initial selection, proper assessment during the probationary period, wise assignment, and enlightened supervision. Under the best of circumstances, dismissal will be occasionally necessary; when it is, failure to take action is destructive of morale, productivity, and a healthy relationship between employees and management.

Dismissal for misconduct or incompetence is so rare in the public service today as to constitute evidence that the power is insufficiently employed. The obstacles to exercising it, even in clearly justified cases, are great. The deputy head must first face an appeal procedure centred in the Civil Service Commission which, as it has no guidance to the contrary, may move deliberately and not take into calculation the impact on departmental morale. If this hurdle is surmounted, a recommendation is made to the Governor in Council for dismissal. A consequence is that generally only the most blatant cases ultimately come

before the Governor in Council.

If the public service is to create a climate for good performance by rewarding it fairly, departmental managers must have the authority to handle all disciplinary cases, including the right to dismiss for misconduct. This authority should be offset by clearly established appeal rights which provide full review through the normal grievance machinery of the department, including, for all disciplinary cases, the right of appeal to an independent authority outside the department.

Similarly, proper rewards for good performance ought to be balanced by the obligation of departmental management to dismiss for incompetence, where this is warranted. For dismissals based on incompetence, management must share part of the blame: poor initial selection, failure to use the probationary period for proper assessment, or faulty assignment are likely to have played some part in the history of the employee concerned. As in the case of lay-offs of redundant staff, the longer the service of the individual concerned, the greater the department's responsibility and the greater the effort it should make to ensure that, if possible, a suitable opening elsewhere in the public service is found.

CONTROL OF ABSENCES

A significant, though often neglected, element of the cost of manpower is the extent to which employees are absent from work because of accident or sickness. The public service has an accident prevention programme which has not been effective largely because it appears to have insufficient support from the managements of departments and agencies. Both the frequency and cost of accidents in government service are higher than they should be, and despite a generally less hazardous environment, the record compares unfavourably with that of other employers.

In the public service, sick leave policy gives supervisors few opportunities to control or influence sickness absences, and sick leave rights are abused by some employees. The government operates a health service for its employees in the Ottawa-Hull area, but no such facilities are yet available to employees elsewhere in Canada. While the Ottawa health service is, at least in theory, aimed at reducing time off the job, the whole responsibility for its policies and operations is assigned to the Department of National Health and Welfare. Since this department has no managerial responsibility for those reporting sick, it can hardly be expected to act as more than a medical consultant.

The value of such a programme should be measured in part by the contribution it makes to the amount and quality of productive time on the job in return for the wage or salary dollar. Within the public service no appraisal in such

terms has been achieved. In commerce and industry, and in other public bodies on this continent, it has been found that health and safety programmes can make an important difference to payroll costs, as well as to employee welfare. The primary requisite for success is that these programmes should be viewed as an integral part of management's responsibility for achieving effective performance.

The relatively poor record in the safety field and the high costs involved, both for the government and its employees, suggest that a more positive approach to accident prevention should be adopted. Accident prevention should be a departmental responsibility and warrants the continuing attention of the deputy head. Where necessary, safety specialists should be appointed to stimulate, co-ordinate and advise. The Personnel Division of the reconstituted Treasury Board staff should be concerned with the general safety record and with the results achieved by individual departments. The records of departments and of their larger units should be published regularly in a statistical form which will permit comparison with the past and between various units of the public service, and so provide a basis for setting objectives. The cost of accidents should be assessed clearly and directly against the operations of departments and agencies.

Sick leave regulations for civil servants have generally been administered as if the aim were uniform treatment of all employees. Entitlements are tied to service, and unused sick leave may be accumulated. Too many employees view the present plan as creating entitlement to additional regular annual leave without too close a link to the justification of illness. Moreover, the programme is not uniformly applicable throughout the public service. Prevailing rate employees, for instance, are on a less favourable basis than civil servants, and their benefits appear less advantageous than those ordinarily found in private employment.

There is little appreciation of the cumulative direct and indirect cost of sick leave; moreover, no one assumes responsibility because entitlement is governed by general regulations. Medical certificates are not ordinarily demanded for absences of less than three days, and no comprehensive records are compiled of such absences. There is little or no evidence that the government as an employer is impressed by or even aware of the ample evidence that sickness absences may be significantly reduced without inequity—perhaps even with an improvement in equity, if there is proper supervisory concern about such absences and if supervisors are made responsible.

Your Commissioners believe that the authority to grant paid sick leave, within the framework of stated policy, should be exercised by the employer departments and should be delegated to appropriate levels of supervision. Paid

sick leave should be granted on the basis of need, with qualified medical advice available where necessary to assist the supervisor in his decision. Departments and individual supervisors should assess the record of sickness absences for their employees individually and collectively, and should be fully aware of the costs involved. The Personnel Division of Treasury Board should, for general policy purposes, make similar analyses for the public service as a whole.

The Health Services programme for civil servants and other employees of the government in the Ottawa-Hull area has been, on the whole, well organized and competently administered. However, compared to many successful programmes elsewhere, it has been limited in its purposes and achievements. Outside evidence is that such a programme can make a major contribution to improving performance and increasing time on the job and, in doing so, contribute equally to employee well-being and morale.

Properly established and oriented, the Health Services programme will be valuable in all centres where there is a sizeable group of public service employees. Greater use of this service could be made by departments for pre-employment medical examinations, and for advice on placement, absentee control, retirement, rehabilitation, and working conditions. In light of the successful experience of other employers, the government might also consider a programme of physical examinations at regular intervals for key personnel and those on particularly rigorous assignments.

The Health Service programme and Health Service Units are currently administered by the Civil Service Health Division of the Department of National Health and Welfare, which is well qualified for the task. The purpose of the programme and the tests of its value are, however, primarily managerial. General responsibility and policy direction should, therefore, come from the Treasury Board through its Personnel Division, and should reflect the experience of departments and agencies as users of the service.

MORALE AND PRODUCTIVITY

The term "morale" as employed in this report, and as a useful concept in personnel management, refers to the extent to which employees identify themselves with the objectives of the organization or the unit of which they are a part. Morale in this sense is intimately associated with productivity and is therefore of direct concern to management.

No quantitative comparisons between productivity in the public service and productivity elsewhere have been made. However, during the course of the examination of individual departments and agencies, your Commissioners' staff was able to make many individual assessments of performance and attitudes, on the basis of which certain conclusions have been reached. These are

set out in detail in Part II of this report, but some general observations must be made here.

Morale appears to be high among some groups in the public service, for example, in the ranks of senior officials, among research scientists, and in a number of agencies which have had reasonable autonomy in the field of personnel management. In other areas, morale and productivity are judged to be less satisfactory.

Knowledge available today makes it possible to identify a number of reasons for the failure to achieve high morale and productivity on a wide scale throughout the public service. First, the public service is geographically scattered and functionally divided into a great many unrelated units. As a result, public servants located outside Ottawa, and even some of those in the capital, tend to feel remote from the centres of influence and decision. In very few units has there been any consistent and continuing attempt to involve employees in the process of establishing objectives. Indeed, by comparison with most progressive employers, the government makes almost no effort to acquaint employees with the purposes, problems and achievements of their department or unit, so that they may understand them and see their own roles in relation to them. The need can scarcely be touched by a suggestion-award plan.

Further, in any large and complex organization, it is difficult in the best of circumstances to persuade employees that their individual contributions are significant. In the public service this task is rendered more difficult by the central controls which, to the individual employee, often appear impersonal, arbitrary, or even in conflict with what he understands to be the objectives of the department, or with what he regards as common sense and equity. The continuing conflict between the needs of a task to be done and procedural requirements of remote control bodies is always visible. The resulting frustration and confusion of purpose are serious.

The difficulty of convincing the individual that he has a significant contribution to make is further compounded by systems of detailed regulation and audit which make it appear that neither his discretion, nor the judgment of his responsible superior carries any weight. The government's travel regulations are a good illustration in point. Regulations, so detailed and restrictive, so elaborate and time-consuming in their reporting and certifying requirements, frustrate the conscientious and tend to sap morale.

EMPLOYEE COMMUNICATIONS

Satisfactory morale and productivity depend upon the maintenance of proper channels of communication between management and employees. Good communications must be deliberately planned as part of the task of management, for

there are a number of specific questions on which public servants should be properly informed if high morale and productivity are to be attained and if satisfactory employee relations are to be secured.

Many progressive employers today are finding that it is advantageous to spend large amounts of money to meet needs of this kind. They publish elaborate house organs directed to specific audiences among their employees. They give orientation courses, produce movies, and stage seminars and "question and answer" sessions. The federal government departments and agencies rarely do anything along these lines, but they should.

Public servants should, for instance, understand the personnel policies of their employer. The wide gap existing for many years between government benefit plans and those in the private sector, is rapidly narrowing, and it is important that public servants should understand both the benefits they enjoy and the financial implications of the rising cost of providing them. They should have some knowledge of the government's policy in salary administration and of the general objectives followed in determining wage policies and procedures for promotion and transfer. As the pressure for improved productivity in the public service rises, and as changing technology and management practices disrupt long-established patterns, it becomes more important to help public servants gain better perspectives on their tasks and opportunities.

Public servants should also be aware of the purposes, current problems and recent achievements of their departments. As the public has more occasion to deal with government in many areas, it is increasingly important that large numbers of public servants, who from time to time have the public at their mercy, should be "customer oriented". They need guidance in the quality of service they are expected to give, the kind of public image they should attempt to create, and the ways in which they may best contribute to these needs.

Many elements of a desirable programme of employee communications will appear to be expensive, but the dollars and effort spent for a carefully conceived, well-executed programme can be more than justified on a continuing basis. The visible cost is likely to be much less than the drain on the public purse—largely invisible and certainly unmeasured—that results from erroneous notions entertained by employees. No single channel or style of communication will be equally effective with groups as diverse, for instance, as scientific researchers on one hand, and postal clerks on the other. However, in a well-managed organization, an essential and fruitful channel of employee communication is provided at relatively no cost by qualified, experienced and properly oriented supervisors. The organizational impediments to good supervision, already described, make it extremely unlikely that supervisors in the public service could be used as effective two-way channels of communication with em-

ployees until important changes are made.

In certain special areas there is need for formally established machinery for two-way communication. Adequate grievance procedures meet a part of this need, but in most departments there are no such procedures established. Even where praiseworthy efforts have been made to develop them, serious difficulties have arisen because of the special treatment accorded "appeals" under the Civil Service Act, and because the Civil Service Commission and the departments have not worked out suitable procedures and grievance jurisprudence.

The solution to this problem lies in making each department responsible for developing its own grievance procedures and charging the Personnel Division of the Treasury Board staff with general responsibility for co-ordination and consistency. Good managers, recognizing the grievance procedure as a protection against injustice, which is occasionally bound to arise, will also appreciate its usefulness as a means of communicating with employees, as a safety valve, and as a priceless adjunct to the education of supervisors. Senior departmental officials should, therefore, be expected to ensure that the purposes, machinery and the limits of the grievance procedure are thoroughly understood by the departmental employees and supervisors.

The areas in which legitimate grievances may arise and the detailed steps in the grievance procedure should be clearly defined. Normally, review by the deputy minister should be the last formal step, and his decision should be final. However, in cases involving disciplinary penalties, appeal to an outside body should be allowed. The Civil Service Commission is qualified by its independent position to act as a final tribunal to review such appeals after they have gone through the regular grievance steps within a department. The types of case which may be so appealed should be clearly and unequivocally defined and the criteria in terms of which the Commission should judge them should also be firmly established. Present appeal procedures are often so time-consuming as to destroy much of their worth. Departments should ensure that grievances are handled expeditiously as well as equitably.

The subject of employee communications inevitably raises the matter of staff associations and their role in dealing with departmental and central management officials. A continuing controversy revolves around the question whether the government should negotiate with staff associations on salaries and wages, benefits, hours and working conditions. Your Commissioners have concluded that solution of this issue, although of great concern to staff associations in the public service, has relatively little direct bearing on efficiency, economy and service to the public—the objectives to which our attention is directed by the terms of reference.

Elsewhere, we have proposed standards that should guide the government in

determining its wages, salary, benefits and working conditions. Your Commissioners believe, however, that there should be machinery within departments and large branches to facilitate discussion between management and employees on a wide range of subjects not directly involving grievances or wage and salary disagreements. Local working conditions, local aspects of personnel policy, changes in organization, programmes and work assignments, changes in procedures and equipment—all are illustrations of the kind of subject on which there should be free exchange of information, ideas, and questions between management and employees. Adequate machinery for this purpose, open to either side, is likely to improve working relationships and performance.

Although the National Joint Council of the Public Service, which is designed to deal primarily with problems of broader character, does meet a distinct need within its own terms of reference, departmental machinery of the kind suggested here is largely non-existent, even on an informal basis.

Such a proposal at once raises the sensitive issue of the method of selecting employee representatives, and there are many reasons for questioning whether nominees of present staff associations would be entirely satisfactory. Other than the rather ill-defined and pragmatic approach adopted for the National Joint Council, there is, at present, no procedure for accrediting staff associations as the representatives of particular employee groups. These associations often compete for members, and there can be no assurance that in any one locality or department their nominees are entitled to speak for the employees as a whole. Departments should, therefore, be left to devise their own machinery and to work out patterns of representation acceptable to their own employees. Any central concern might well be limited to ensuring that departments do not, for any reason, commit the government to recognition of a representational status for a particular association, which cannot be justified on broad considerations.

6

COMPENSATION IN THE PUBLIC SERVICE— POLICY, PRACTICE, AND STANDARDS

The influence of compensation policies and practices pervades employee relations and personnel management. Pay levels at the point of recruitment and career-earning curves either attract or discourage potential recruits to the public service. Salary increments and the way in which they are linked to changes in duties, to quality of performance, or to the simple passage of time, encourage and reward good performance or frustrate it. The degree of clarity with which government policy in compensation matters is understood by the public service creates either a foundation for good morale or a source of continual irritation.

A comparison has been made between compensation levels within the public service and those for comparable work by other employees. This study covers wage and salary levels, employee benefits (including paid leave of all kinds) and working conditions, which are the several parts of the whole compensation package; these comparisons, which are set out in Part II of this report, take account of their value on a combined basis.

Levels of compensation comparable with those of other employers keep an enterprise financially competitive in the market for skills and talent. They also tend to minimize the risk of losing present employees to more attractive employment elsewhere. At the same time, the philosophies underlying the internal administration of wages and salaries may have a profound influence, for good or bad, upon the employee's morale and productivity, and upon his incentive for growth and development. They may emphasize the relation between employee effort and the objectives of the organization, or between performance and

reward, or they may conceal a link which should, but does not, exist. Classification and salary administration practices are of such importance throughout the public service that your Commissioners have reviewed the subject at some length.

WAGE AND BENEFIT LEVELS

Wages and Salaries

Although comparability with wage levels outside the public service has been a stated or implied bench-mark for wage determination in the federal public service ever since 1919, it is not possible to make a single, simple generalization about these relations. Rates for a large number of manual and craft workers—the so-called “prevailing rate” groups—are set by direct regional comparison with outside rates. At the same time, the jobs of other public servants performing identical work in the same places are classified under the Civil Service Act and paid at rates different from those for the prevailing rate group in the same area. Rates for classified jobs of this kind, because they are based on nation-wide averages, tend to be below community rates in large centres, but above community rates in the small centres where the majority of such classified jobs are located.

At the recruiting level, rates for clerical, secretarial and related office occupations compare very favourably with the national average for Canada and also with competitive rates in larger metropolitan areas, where, in fact, about eighty per cent of government employees in such classes are located. The twenty per cent in smaller centres, receiving the same salaries because of the policy of uniform rates for classified personnel, are significantly better off than those in comparable private employment in the same areas. Civil service rates for office occupations are fully competitive for junior positions, but lag behind private employment at more senior levels.

For professional employees the picture varies. Here, regional considerations are less pertinent, as the market tends to be nation-wide. At the recruiting level, civil service rates tend to be as good as or slightly better than averages outside, where the government must compete with private employers. For many professionals, however, career pay possibilities appear somewhat less favourable inside than outside the federal public service. For professionals to whom government service is the chief employment available, career earning prospects are significantly less favourable than for professionals for whom the government must compete actively with outside employers.

Some classes of administrative and executive personnel in the public service are the victims of a very noticeable aberration in salary policy. Whether by

comparison with outside employment or with patterns for classified jobs in the lower ranges, there is a marked compression of rates at all levels above \$12,500 per annum. Differentials in salary, between deputy ministers and assistant deputy ministers and between assistant deputy ministers and the next junior level of administrative officers, are very narrow. Salaries at the senior levels are significantly lower in the federal public service than outside. Crown corporations, in a few instances, pay more competitive salaries to their senior personnel, but in most agencies there is no significant departure from the standard civil service pattern.

The performance of senior officers is of material concern to the whole management process. The obvious need to provide fair rewards and incentives suggests that government can scarcely afford to offer rates significantly below the market for the kinds of talent and judgment necessary in these key positions. Why do good senior administrators remain in government service at a remuneration lower than they could earn in commerce or industry? Many reasons are advanced—the challenge and interest of the work, a sense of public duty, stimulating personal associations, freedom from the strain of the competitive tempo of business, job security and so on.

Whatever factor or combination of factors is responsible for this fortunate phenomenon, three questions must be asked. First, as a matter of simple justice, is it in the public interest to continue to set arbitrary limits on the remuneration of key employees at levels well below prevailing rates for comparable talent elsewhere in the economy? Second, if such persons are to be given real authority and responsibility, as recommended in this report, can the present pay policies be expected to attract and hold men and women of the calibre required? Third, can the recommended reorganization of departmental administration, with delegation to a responsible group at varying levels of competence and seniority, be accomplished without a scale of remuneration sufficiently broad to permit proper recognition through reasonable salary differentials?

It is recognized that, in Canada as elsewhere, public opinion may not be prepared to endorse a policy under which government is fully competitive with industry in the salaries paid to senior public servants. The question is, therefore, what is the workable differential? Relevant here is the fact that with increasing social benefits and security becoming available generally, the fringe benefits of government employment are losing much of their former superiority over those in other employment. No longer do relative security of tenure and generous pension provisions set employment by the government in a special category of attractiveness.

Your Commissioners believe that there must be an upward adjustment in

salaries paid to the senior administrative classes. The minimum amounts of salary increases to be granted should be sufficient to re-establish reasonable differentials between the four or five top levels in the scale of remuneration.

We therefore recommend that: The salaries of senior administrative personnel be increased at least by the amounts necessary to create reasonable differentials in remuneration for varying degrees of entitlement of senior staff.

Employee Benefits and Working Conditions

Traditionally, the public service has provided more generous employee benefits, particularly in pensions and paid leave (vacations, holidays, sick leave, and special leave), than have been generally available elsewhere, and security of tenure has also been greater. While certain employee benefits in the public service are still relatively attractive, others are of less value to some groups of public servants, particularly those at younger ages and with short service. Over the past decade, benefit plans in private employment have developed quickly and the gap has narrowed. At the same time, the security of tenure of large classes of employees outside the public service has tended to increase.

Civil service hours of work are in accord with general practice elsewhere. For public service clerical employees, overtime pay on a straight-time compensatory leave basis (at a slight premium rate) is less favourable than the usual outside practice of compensation in cash at rates equal to, or at one-and-a-half times, the normal rate. For non-office employees, overtime compensation is similar to industrial practice. With minor exceptions, members of the public service do not receive shift differentials, nor are they eligible for incentive pay in circumstances where such might be available in industry.

Benefit plans in the public service usually apply uniformly to all employees covered, whatever their level of remuneration, whereas in private employment some types of benefits are commonly, but not universally, less favourable for plant and office personnel than for senior professional, administrative and executive personnel. By comparison with outside practice, employee benefits as a whole in the public service are significantly more generous in some areas and relatively unfavourable in others. They provide liberal superannuation and survivor pension benefits to long-service employees, and unusual sickness and other special paid leave allowances to the majority. On the other hand, the life insurance coverage made available offers little protection to younger employees, at a time when their need to provide for dependants is greatest. There

is nothing comparable to the joint contribution savings plans of some outside employers and little in the way of financial aids to early retirement or lay-offs forced by programme changes or automation.

Several questions present themselves. Has the whole benefits package been conceived in terms designed to meet the real needs of the employee? The government spends a great deal of money in this field; are the right things being bought? Has there been any coherent and successful effort to relate individual benefit plans to the scheme as a whole? Are employee benefits viewed as a part of total remuneration?

EXTERNAL CRITERIA FOR COMPENSATION POLICY

The Government of Canada badly needs a clearly formulated compensation policy. In theory, the policy is guided by the practices of outside employers, but this concept has been blurred in practice by failure to decide in principle which particular outside employers constitute the relevant bench-marks. It is blurred further by adherence to a policy of uniform rates across the nation for many classes of jobs for which outside rates vary substantially from one locality to another. Such a policy guarantees that in many areas rates paid in the public service will be out of line with those paid by other employers.

Employee benefit plans in the public service do not seem to have been guided by any consistent philosophy or set of principles, nor is there any evidence that comparability with outside employment policies has been considered desirable. For instance, a recent change in the already generous superannuation plan altered the base for pension entitlement from average salary in the "best ten years" of service to the (usually higher) average for the "best six years" of service. This change, in fact, widened the existing gap between government and private practice. It includes costly survivor benefits by way of pension for widows and dependent children, which are of very little interest to short-service personnel in the years in which dependants are most vulnerable to loss of the wage earner. Less expensive pension provisions might make it possible to offer employees more evenly balanced benefits.

It has already been suggested that the federal government should be competitive but should not lead in the field of compensation. If it is to compete effectively for the people it needs, it must offer, both at recruiting level and in prospective career earnings, compensation (pay and benefits) not less attractive than that of other employers with whom it must compete. For obvious reasons, the government is not subject to the same restraint as a private employer who must control his costs if he is to remain competitive and survive. By adopting selected outside employers as its guide to proper general levels of

compensation, the government can ensure that it is competitive in the market, fair to its employees, and responsible in its use of public money.

This general proposition needs some elaboration. It means, for instance, that the government must carefully consider, for each category of employment and for each location, the nature of the market in which it must compete. For professional and scientific personnel, for senior administrative and managerial personnel, for the new university graduates, and for those with more advanced degrees, the market is clearly country-wide. To some extent it is an international market, in which Canadian employers, including the Government of Canada, are competing with United States corporations, colleges, and public bodies.

For clerical and secretarial personnel, for unskilled labour, and for most manual, non-office, and skilled trades operatives, the market is clearly regional and local. Regional differentials for office occupations would have little import for the public service, because most employees in these categories are in larger urban centres where rates tend to be above the national average. For non-office occupations, however, the regional differentials are considerably more important, because over half of the government's employment in these categories is in smaller centres where outside rates are usually below the national average.

Whether geographic differentials have a justifiable place in wage and salary policy for the federal public service is a much debated question. It is argued on grounds of equity that equal pay for equal work means uniform rates for all employees in the same category, wherever located. In practical terms this tends to mean dollar equality at a level set by the dearest market. But it can also be argued that equal pay for equal work means giving like employees the same relative income status in the various communities in which they are located. Geographic variations in compensation are often opposed on the ground that the determination of suitable regional boundaries is too difficult. Moreover, it is contended, differentials of any significant size would affect mobility of staff, or, conversely, create incentives for undesired transfers. This seems on analysis to be a somewhat spurious argument, for geographic differentials tend to disappear where there is sufficient mobility of labour. Even more important is the fact that regional differentials usually exist only for those classes of employees whom employers have little or no reason to transfer from one region to another.

It is difficult to see how existing geographic differentials can safely be ignored by the largest employer in the country. To the extent that they continue to be ignored, the government finds itself paying more than it should in some areas and perhaps less in others than it should to remain competitive. To the extent,

↓ too, that the government or any other large employer pays rates above the market it does a disservice to the local economy. In general, the level of wages and salaries in an area reflects the relative productivity and the competitive position of that area in the economy as a whole. Arbitrary raising of costs, through bidding up the labour market in advance of real gains in productivity or real improvement in competitive position, is likely to hamper rather than stimulate the economic growth of the area. The conclusion is that the federal government should adhere to a policy of uniform rates only for categories of personnel for which the market is country-wide. For categories where markets are regional or local, government compensation policy should be guided accordingly.

It is essential to lay down a well-formulated policy on wages and salaries, so clearly enunciated that all members of the public service understand it thoroughly. Once it is manifest that the guide to proper wage and salary levels in the public service is the level of wages and salaries of the employers with whom the government must compete, and that, for reasons clearly stated, this means levels dictated in some cases by the nation-wide market and in others by regional or local markets, the government has both a firm basis for wage decisions and a case to discuss with its employees.

The government should, however, recognize the danger of committing itself fully and finally to a fixed formula and to an agreed mechanism for working it out. However desirable the standard, a firm commitment—particularly if it were backed by arbitration machinery—could make it difficult for government to pursue an independent pay policy dictated, for example, by the national needs of a temporary inflationary situation. The government should not risk finding itself in a position where it cannot at some future time discharge its major obligations to the economy without unilaterally breaking a commitment to its employees.

In the field of employee benefits (including paid leave entitlements) and working conditions generally, the federal government should also be guided to a major extent by external standards. Here again, to attract and retain the quality and number of employees it needs, it must offer benefits which, in combination with money wages, will be competitive without seeking to outbid other large employers.

The achievement of comparability is not the only objective to be sought. Employee benefit plans should in the long run be uniform for the whole of the public service. Like wage and salary levels, they should be designed to yield, for the dollars spent, the maximum value and attractiveness to all employees. The plan should not favour, as it now seems to do, older and longer service employees; it should appeal to female employees, who at the outset are less inter-

ested in pension rights; and it should take careful account of the costs of individual programmes in relation to their attractiveness and real value to all employees.

The benefit package in the federal public service today falls short on all of these counts. It reflects the lack of any governing philosophy or evaluation of benefits and costs; it ignores the concept of benefit plans as part of the total compensation of public service employees and as part of a programme whose general intent is to render the government competitive for skills without creating undue burdens on the public purse. By these standards, some parts of the present plan are extravagant, while others are deficient from the standpoint of employees. A thorough study might disclose that judicious trading of provisions within the benefits plans could produce net advantages for the government and for the vast body of public servants. At the least, steps should be taken to avoid further departures from the standards set by a properly selected group of outside employers.

INTERNAL CRITERIA FOR COMPENSATION POLICY

External comparisons do not in themselves solve all the problems of wage determination. Positions under the Civil Service Act have been grouped in some 1827 grades, in 887 classes, and in 84 different pay scales. Individual comparisons against external standards cannot be made for so many positions, partly because of the sheer volume and partly because it would be impossible to find proper equivalents for many of the specialized types of work. It is necessary, therefore, to make external comparisons for certain bench-mark jobs, and to follow these up by a process of job evaluation or ranking in order to fit other positions into an equitable scale.

This is the major purpose of job classification; but the system used in the civil service, as the large number of grades and classes clearly demonstrates, is too elaborate and complicated. Definitions of job duties and implied standards for differentiating between jobs are very detailed and appear to be aimed at a degree of precision that would be difficult to attain and probably not of much practical use.

Outside the public service, it has generally been found more useful to establish a limited number of broad, overlapping salary ranges to which, by the use of relatively simple standards of evaluation, each position may be assigned. In the United States public service there are currently eighteen pay scales and the Administration is proposing to Congress that two be added; for many large private organizations, there may be about twenty-five. The number of such pay ranges should be determined by the practical upper and lower limits of the

total salary scale at any given time: on this basis, something like twenty-five pay ranges would probably be satisfactory for the federal public service. To facilitate rotation among departments, the position of deputy minister should be classified in a single pay range.

Salary administration is concerned with proper treatment of the individual, as well as proper adjustment of jobs into a pay scale. For the mutual benefit of managers and employees, salary increments should be linked to individual performance. Salary schedules need to be designed with this link in mind and salary administration should be guided by this objective. Such an approach to salary administration is decidedly rare in the public service today, and the provisions of the Civil Service Act bear witness to a directly contrary philosophy. Fixed salary increments are almost entirely automatic and so much a matter of right that failure to be granted one on schedule constitutes grounds for appeal to the Civil Service Commission. If differences in individual levels of performance and varying degrees of effort can indeed be distinguished, this is a violation of the principle of equal pay for equal work. Certainly such an approach frustrates the use of the compensation system as an incentive to performance, and deprives supervisors of one of the most important tools of personnel management.

A system of broad, overlapping ranges has been found to provide an appropriate structure for salary administration, which will reward performance properly. With a fairly wide range in each salary class—with the top of the range, say, 35 per cent above the bottom, or perhaps as much as 50 per cent in the higher classes—there is room for suitable treatment of every level of performance from mediocre to exceptional, and room too for recognition of gradually maturing experience.

In the lower part of the range, increments may be automatic for those whose performance is acceptable, but only superior performance should take an individual beyond a specific point in the range (say, the mid-point), regardless of his length of service on the job. Because individual performance in the lower ranges of clerical positions and in the unskilled or semi-skilled jobs usually has less effect on the total results, there is some justification for a largely automatic system of increments, or even for fixed rates. This is consistent with the normal pattern outside the public service. Individual merit treatment has its greatest value when applied to those in intermediate or higher positions.

We therefore recommend that: 1 A simplified schedule of approximately twenty-five pay ranges be established for the public service, and departments be

made responsible for classifying jobs and allocating employees to the appropriate pay range.

- 2 For senior and intermediate positions, at least, salary treatment within the pay range be related to performance of the individual.

MACHINERY FOR DETERMINING WAGES, SALARIES AND BENEFITS

External Comparisons

The Pay Research Bureau of the Civil Service Commission was established in 1957. It has developed a high degree of competence in making quality comparisons between public service and outside positions, and in arriving at useful rate comparisons. This is a difficult task of large dimensions. A prerequisite is a proper selection of employers with whom useful comparisons can be made, and this must be based on a definition of the intended standards for pay determination. For example, it must be settled whether government is aiming at matching country-wide averages, the levels set by large employers in major urban centres, or going rates in smaller centres. No common standards are appropriate for all occupations and all locations in the public service and, to provide the right information, the Pay Research Bureau needs more detailed guidance on objectives than it has had in the past.

Wage comparisons for prevailing-rate employees and for most salaried employees exempt from the Civil Service Act are made by the Department of Labour. There is no apparent advantage in splitting this responsibility within the public service, particularly as some employees whose positions are classified under the Civil Service Act perform the same jobs as prevailing-rate employees. The Pay Research Bureau is the appropriate agent for developing the outside comparisons to be used as a guide for wage and salary determination in the public service.

Recently, the Bureau has initiated some comparisons with outside employee benefit plans. There is a clear need for such comparisons on a continuing basis. As pay and benefits can be appraised sensibly only as a composite package, the Pay Research Bureau is well placed to carry responsibility for obtaining comparative information. For this task it should have the same kind of policy guidance as it requires for wage and salary comparisons.

Both the Civil Service Commission and the Treasury Board now participate in decisions on salary levels. Because this is essentially a managerial responsibility

ity, it should in future devolve solely upon the Treasury Board advised by its staff. Nevertheless, the Pay Research Bureau should remain with the Civil Service Commission, for it has a service role of some technical difficulty, which is more likely to be most efficiently performed by a group in a position to be objective and independent. The Bureau has already established a good reputation, both inside and outside the service, and should be allowed to build on it.

This reputation might enable the Pay Research Bureau to serve a valuable secondary purpose in the field of employee relations. There may be real advantage in making the reports of the Bureau available equally to the Treasury Board and to employees, either directly or through their representatives (as is now done in practice). Unless public service employees have access to information of this kind, they are likely to decide sooner or later that they must seek other sources of data to support their claims for wage, salary and benefit adjustments. Access to information developed by a trusted body, such as the Pay Research Bureau, might permit discussion based on an agreed body of fact, and thereby lessen the likelihood of a widening range of misunderstandings between the government and its employees. No problem of breach of confidence need be involved, because in its reports the Bureau now avoids identifying the individual employers from whom it has received confidential salary information.

We therefore recommend that: The function of making wage comparisons now performed by the Department of Labour be transferred to the Pay Research Bureau.

Salary and Benefits Administration

Gearing salary administration to performance must clearly be the responsibility of supervisors and managers in the departments and agencies. Only they can adequately judge individual performance, and only through them can the link between performance and rewards be clearly and continuously communicated to employees. Both general policy guidance and approval of annual departmental salary budgets should come from the Treasury Board. Policy guides for the application to employees of increments and merit increases should be established on a service-wide basis, but decisions in individual cases should be taken by the departments.

The Treasury Board's annual assessment of departmental salary budgets would initially be a part of the process of programme review. The way in which departments handle salary administration could be tested by multiply-

ing the number of people in each pay range by the mid-point and comparing the results with the proposed salary expenditure. Any tendency in an individual department for disproportionate numbers to move into the upper levels of the established ranges could thereby be checked. The Treasury Board should also scrutinize from time to time the average size of merit increases, the number of employees in each pay range receiving them, and the general distribution of employees' salaries within each pay range. Departmental decisions on individual pay treatment should be based on annual performance evaluations made by the immediate supervisor and reviewed with his superior or with a personnel committee. There should be no expectation that merit increases would be given annually, except perhaps in the lower grades, but there should be no barriers to rewarding truly exceptional performance.

Classification of jobs, as an essential step in wage and salary determination, is also a management responsibility. Job classification inevitably involves an act of judgment, and no outside body can be in as good a position to assess differences between jobs as are the supervisors under whose direction the work is performed. Departments should, therefore, be responsible for the assessment of individual jobs and their assignment to the proper pay ranges in the schedule approved for the service as a whole. Here again, principles and policy guides should be laid down by the Personnel Division of the Treasury Board. That body should keep itself continuously aware of the way in which individual departments and agencies carry out their classification duties, so as to ensure general consistency throughout the service.

In many cases, a single occupation or profession is most appropriately classified by establishing a job series related to a number of pay ranges, salary differentials being based on experience, competence and status. For example, there may be a series for engineers, another for research scientists, another for stenographers. Where such job series are established for use by a number of departments, the Personnel Division of the Treasury Board should see that clearly defined classification standards are developed for common use.

Urgent need has been indicated for central appraisal of the government's employee benefit plans, and of their place in the total compensation policy, their costs, and their value to employees. The Personnel Division of the Treasury Board should have this as a continuing responsibility. It should have a similar concern for the standard of working conditions throughout the public service.

7

SUMMARY AND CONCLUSIONS

The terms of reference of your Commissioners direct attention to ways and means of "improving efficiency and economy by alterations in the relations between government departments and agencies, on the one hand, and the Treasury Board and other central control or service agencies of the government, on the other". Acceptance of the recommendations in this report will require substantial changes in these relationships, as well as in the attitudes which have hitherto characterized the management of people in the public service. The altered conditions envisaged by your Commissioners are summarized at this point.

Senior departmental officers will have substantially increased authority for personnel management and will be charged with responsibility to:

- Assemble and maintain a body of personnel suited in quality and quantity to the tasks of the department.

This involves:

- analysis of manpower inventory and of forward requirements;
- proper and timely recruiting by using, except for key personnel, improved facilities to be provided by the Civil Service Commission;
- promotion and transfer of personnel, guided by assessment of key job replacement needs;
- appraisal of the performance and potential of individuals, and planning for the further development of employees with high potential.

- Make use of available human resources so as to secure effective performance of the department's tasks.

This involves:

- organization and direction to minimize absence from the job by proper attention, for example, to safety and to sickness and other causes of absence from work;
- creation of a climate in which morale and productivity may be kept high through effective supervision, good employee communications, equitable grievance procedures, reasonable and just discipline, and salary administration linking performance to rewards.
- Classify positions within the department and designate the pay range to which each attaches.
- Prepare annual salary budgets as an integral part of programme budgeting for the work of the department and, having received authorization for them, administer them throughout the year within the broad policies established by Treasury Board.

The Treasury Board, carrying general responsibility for administrative policy and the quality of performance throughout the public service, will perform the following functions with the assistance of a small but competent staff:

- Establish personnel policy in broad terms for the public service as a whole.
- Ensure, by influencing the appointment of chief personnel officers to departments on a rotational basis, that departmental personnel staff groups are adequately manned and directed and that departmental supervisors are competently advised on personnel matters.
- Review manpower and salary budgets in relation to departmental programmes, so as to arrive at approved budget authorizations for departments.
- Scrutinize and assess departmental job classification and salary administration.
- Co-ordinate the personnel policies of departments so as to produce and maintain a unified public service, and in particular to:
 - scrutinize general developments and departmental performance in safety, absenteeism, training needs, employee communications, and morale and productivity;
 - determine the extent and character of the Health Service programme for the public service;

- co-ordinate common training programmes and facilities to be operated by the Civil Service Commission.
- Aid effective allocation of the personnel resources of the public service through:
 - analysis of manpower inventories and forecasts of manpower requirements;
 - co-ordination of interdepartmental transfers of surplus staff;
 - review of personnel development activities of departments;
 - initiation of interdepartmental transfers for career development purposes.
- Consider from time to time the need for general wage and salary adjustments and changes in employee benefit plans.

The prime role of the Civil Service Commission, as an independent arm of Parliament and with wider jurisdiction than in the past, will be that of guarding against patronage in initial appointments to the public service. It will shed some of the managerial powers it now exercises, but it will continue to provide a number of central services to departments on an agency basis. It will carry the following responsibilities:

- As an independent authority:
 - to approve all permanent appointments on entrance to the public service;
 - to serve as a final court of appeal on all grievances relating to disciplinary matters;
- As a provider of common services:
 - to recruit and select all new entrants to the public service up to an agreed salary level (the level of \$5,200 is suggested as appropriate to today's circumstances);
 - to operate common training programmes and training facilities for the benefit of departments and agencies, as required by the Treasury Board;
 - to assist departments and agencies in the conduct of interdepartmental competitions.
- In operation of the Pay Research Bureau:
 - to provide the Treasury Board and, if so decided, representatives of employees with suitable data on outside wage and salary levels, employee benefit plans, and working conditions.

Certain other common services in the personnel field will be provided by other departments. These are:

- The operation of the health service programme and health service units will be the responsibility of the Department of National Health and Welfare. Treasury Board will set objectives, approve the extent and character of the programme for achieving them and, with the help of department and agency managements, assess the value of the programme from time to time.
- Employee accident compensation will continue as a responsibility of the Department of Labour, working in close collaboration with the Personnel Division of the Treasury Board, which will have general concern for departmental safety records.

These proposals for re-allocation of authority and responsibility in the field of manpower management are designed to secure effective use of human resources in the public service. They do so by placing responsibility and the necessary degree of authority to discharge it in the hands of the government's operating management, the only place where the necessary links can be forged between people and programmes, between performance and objectives.

In an organization of the size and complexity of the Government of Canada, there is accompanying need for central guidance, for judgment as to objectives and the proposed use of resources to achieve them, and for central assessment of the effectiveness with which these resources are finally used. Responsibility for these functions is now divided in the public service but should be a clear responsibility of the Treasury Board. The senior management of departments and agencies would carry suitable responsibility and authority, which they lack today, but they would receive general guidance, would be compelled to seek certain authority, and would be accountable in broad terms for their performance in the use of human resources to a central body, properly manned for this purpose.

These proposals go further: proper assignment of responsibility and authority makes good management of human resources possible, but does not guarantee it unless a great deal of imaginative thought is given to personnel policy and its relation to performance. A clearer understanding of perspectives and proper tests of good personnel policy should be created at all levels. Once managers and personnel specialists share common and accurate conceptions, the public service should be able to build into its personnel policies and practices the wealth of new knowledge and experience available.

The net result should be a public service that attracts and retains the right people; organizes them in ways most suitable for the tasks to be done; provides adequate training and development opportunities for individuals and the

changing needs of the job; pays and promotes people in accordance with their performance and capacity; and builds employee morale and productivity to high levels. It is not possible to make any estimate of the dollar savings to be derived from these proposals and the new approaches implicit in them, or exactly how quickly they may be achieved. In no other area of public administration, however, are the prospects for real and continuing gain so great. Through re-ordering and re-orienting its personnel management, the public service of Canada can be transformed.

PART 2

1

SIZE AND DISTRIBUTION OF THE PUBLIC SERVICE

HISTORICAL GROWTH OF FEDERAL EMPLOYMENT

1 Lack of historical data based upon uniform and constant statistical concepts makes it impracticable to measure precisely the growth of the public service. The historical series presented below, covering the civil service and those members of the salaried exempt groups in regular departments, has been checked against a number of sources and gives a reasonable indication of growth within the groups concerned.

General Trends

2 Civil service employment has expanded from about 23,000 in 1913 to over 150,000 in 1960, including, in the latter year, some 20,000 departmental "salaried exempt" employees. This represents roughly a six-fold increase (see Table 1).

3 Growth has been influenced by changing international and domestic conditions. During World War I federal government employment doubled, reaching a peak of 47,000 in 1920. Thereafter, it dropped to 39,000 in 1926

*Table 1—GROWTH OF FEDERAL DEPARTMENTAL
EMPLOYMENT—1913-1960*

(Including civil servants and salaried departmental employees not subject to the Civil Service Act)

<i>Year</i>	<i>No. of Employees</i>	<i>Year</i>	<i>No. of Employees</i>
1913	22,621	1932	44,008
1914	25,107	1934	40,469
1916	29,219	1936	41,132
1918	38,369	1938	44,143
1920	47,133	1939	46,106
1922	41,094	1946	120,557
1924	40,068	1948	117,500
1926	39,154	1950	127,196
1928	41,243	1955	136,542
1930	44,175	1960	151,665

and rose during the next four years to 44,000. Between 1930 and 1939 there was little growth. Canada entered World War II with 46,000 civil servants and salaried departmental employees not subject to the Civil Service Act. An explosive growth in employment took place under the pressure of World War II and the conditions following that

conflict. From 46,000 in 1939, numbers expanded to 120,000 in 1946 and 150,000 in 1960.

4/ Federal employment showed a slight drop in the immediate Post-War II period. The decrease in employment was much less than after World War I, although employment in a number of World War II Crown corporations and agencies was terminated or reduced. Continued international tension and the Korean War resulted in Canada maintaining a large peace-time defence complex for the first time in its history. At the same time, many government departments not directly involved in the war effort had suffered from manpower shortages between 1939 and 1946. With the return of more normal conditions, these departments expanded their staffs. Then, too, the federal government undertook a number of new functions, such as Unemployment Insurance, introduced in 1941. Yet another important influence in maintaining the war-time level of federal government employment was the great economic expansion and population growth experienced in Canada after 1945. Thus, even though rapid expansion of government employment ceased momentarily at the end of World War II, growth resumed by the end of the decade and has since continued.

Three Distinct Periods of Growth

5 The data suggest that federal government employment has experienced three different periods of growth. Between 1913 and 1939 it expanded modestly, increasing slightly more than two-fold in twenty-six years. There followed a period of dramatic increase during World War II when employment expanded three-fold. Finally, from 1946 to the present, growth has been slower but at a level of employment much higher than the pre-World War II level. Consequently, 1939 may be considered the great watershed of government employment.

6/ Examination of the growth by departments and agencies shows that there has been virtually no decline in employment in any department. Even the loss of a function to another department or level of government has meant slower growth rather than actual decline. At the same time there has been considerable fluctuation in the rate of growth of individual departments.

7 Increase in federal employment has not come from spectacular expansion of new functions, but rather from substantial increases in well-established services. The largest absolute additions have been made in departments and functions which were already of significant size. Over 77% of the total increase in employment between 1939 and 1960 was accounted for by eight departments: National Defence (24.3%), Post Office (12.2%), Justice (8.8%), Veterans Affairs (8.4%), National Revenue (7.7%), Unemployment Insurance Commission (7.6%), Transport (4.4%), Agriculture (3.7%). Over one-third of the percentage increase took place in the National Defence and the Post Office. All, with the exception of the Unemployment Insurance Commission, are in long-established departments.

Growth Patterns of Other Governments

8 From available data, similar long-run trends can be traced in the growth of provincial government employment in Canada and, for that matter, in most other governments in the western world. Precise data are not available and caution must be used in making international comparisons because of differences in statistical concepts, political systems, rates of economic growth, and the impact of wars.

9 With the above reservations, the following statistics may be of interest. Regular civil servants in the employment of provincial governments in Canada increased in numbers from approximately 24,000 in 1941 to 41,000

in 1946 and to 105,000 in 1960. In the United States, federal civil service employment increased from 561,000 in 1921 to 1,437,000 in 1941 to 2,407,000 in 1961. United Kingdom experience reveals that non-industrial civil servants numbered 370,000 in 1939, and 632,000 in 1959. Furthermore, following the nationalization of various industries in the post-war period there was a large increase (of the order of 2,000,000) in the number of industrial public servants in the United Kingdom.

Growth in Government Expenditures

10 A further indication of the expansion of federal government activity since 1939 is revealed by the growth in government budgetary expenditures. During the period 1939-1960 government expenditures increased from \$553 million to approximately \$6.3 billion (including old age security payments). Perhaps a more precise indicator of the expansion of government employment is the growth in labour costs of the federal government. These rose from approximately \$100 million in 1939 to roughly \$1.4 billion in 1960 (excluding Crown corporations, for which comparable data are not available). In percentage terms, labour costs rose from 18.2% of all government expenditures in 1938-39 to 24.9% in 1959-60. Although employment does not vary directly with government expenditures and labour costs, nevertheless the latter do indicate in a general way the expansion of government activity and employment.

Growth of Government Employment, Labour Force and Population

11 The growth of federal employment is also significant when examined in relation to the civilian labour force and population. Here again the three time-periods previously mentioned can be clearly delineated. During the 1920's and the 1930's civil service employment as a percentage of the civilian labour force was consistently about 1.1%. This

amounted to about 4.4 civil servants per thousand of the population. By the end of World War II civil service employment had risen to 2.5% of the civilian labour force, or about 9.8 civil servants per thousand of population. Since 1946 federal employment has maintained a fairly consistent pattern at a level much higher than before 1939. It has varied between 2.3% and 2.5% of the civilian labour force. At 466,000, total federal government employment, including uniformed members of the services and employees of certain Crown corporations excluded from the public service as defined in this report, accounted for 7.3% of the civilian labour force. During this period there have been between 8.5 and 10 public servants per thousand of the population.

12 Between 1926 and 1939 the average annual growth of federal employment was about 1.4%, while that of the population was 1.5%. This was somewhat less than the annual rate of growth of the labour force (2%) and of the gross national product in real terms (2%). A somewhat different pattern was evident during World War II. During this period federal employment increased at an average annual rate of 8.8% while population grew at the rate of 1.3%. This compared with a growth in the labour force of 0.7% and an expansion in the gross national product in real terms of 8.6%. Since 1946 federal employment has increased more rapidly than the labour force. Its annual average rate of growth has been 1.7% compared to 0.9% in the labour force. This, however, has been less than the annual 4.8% rate of expansion in real gross national product.

CURRENT EMPLOYMENT IN THE FEDERAL PUBLIC SERVICE

13 The federal government is by far the largest employer of manpower in Canada. Indeed, both in terms of scale of organization and size of payrolls, it has become the biggest business in the nation. Since 1939

government activities and employment have expanded dramatically under the pressures of changing world and national conditions.

14 In September 1960, when the Royal Commission commenced its studies, there were 465,998 individuals employed by the federal government under a diversity of employment relationships. Details of the types of employment in which these persons were engaged are found in Table 2. This table indicates that there are two broad groups of employees in the public service: a group of civil servants who are subject to the terms of the Civil Service Act for all purposes, and a number of categories of employees whose employment relationship is not governed by the Civil Service Act. Within the latter categories fall uniformed members of the Armed Services, those who work for the various types of Crown corporations, prevailing rate employees and other exempt groups.

15 For statistical purposes only, the total figure of 465,998 shown in Table 2 includes 249,996 employees who, for obvious reasons, are not within the ambit of the observations which follow. They are the uniformed members of the Armed Forces and personnel of the Canadian Broadcasting Corporation, Canadian National Railways, Canadian Overseas Telecommunication Corporation, Eldorado Mining and Refining Limited and its subsidiaries, Polymer Corporation and Trans-Canada Air Lines.

16 There are, on the other hand, a substantial number of persons who serve the Crown but are not included in Table 2 because they are not regarded as servants of the Crown. For example, the figures do not include the 11,000 revenue postmasters, 3,000 full-time and part-time assistant postmasters, 333 judges, the Governor General, the Lieutenant Governors and ministers of the Crown. Furthermore, the above total does not take into account the increasing use of professional and special services offered by persons

outside the government service. It has been estimated that in 1960 the federal government contracted with professional and other organizations for services whose manpower equivalent was 20,000 to 25,000 full-time employees.

National and International Employment Comparisons

17 Some idea of the vast size of the contemporary federal public service in Canada may be gained from the following comparative statistics. The 465,998 persons employed amount to 2.6% of Canada's population or, as previously noted, 7.3% of the total labour force. In numbers they are roughly equal to the work force in the twenty-five largest industrial corporations in Canada, or to employment in the sixty largest manufacturing corporations in the nation. They are roughly double the total number employed by the ten provincial governments. Provincial governments employ approximately 225,000 individuals of whom roughly 105,000 are "civil servants". The remaining 120,000 are engaged in provincial institutions of higher learning, provincial government enterprises, and casual employment. It is impossible to make a comparison between the level of employment in the federal government and employment generated by local government activities, for there are no reliable statistics dealing with municipal employment in Canada.

18 Naturally great care must be exercised in making international comparisons between the levels of employment of central governments. Different sets of figures may not be strictly comparable because of the widely varying statistical concepts employed. Different systems of government tend to generate different levels of public service employment. Different economic structures call for varying types of public service.

19 Keeping these qualifications in mind, some comparisons may be made between

Table 2—EMPLOYMENT IN THE FEDERAL PUBLIC SERVICE¹—BY TYPE OF ENGAGEMENT AND SEX—
SEPTEMBER, 1960

<i>Type of Engagement</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Per cent of Federal Government Employment</i>
<i>Civilian Employees:</i>				
1. <i>Under the Civil Service Act</i>				
Full-time.....	94,156	36,404	130,560	
Part-time.....	1,216	171	1,387	
Total, Civil Service.....	95,372	36,575	131,947	28.3
2. <i>Excluded from the Civil Service Act</i>				
(a) <i>Salaried Departmental Employees</i>				
Full-time.....	13,228	3,109	16,337	
Part-time.....	1,390	1,991	3,381	
Total.....	14,618	5,100	19,718	4.2
(b) <i>Employees in Crown Corporations</i>				
(i) <i>Agency Corporations</i>				
Full-time.....	8,183	1,330	9,513	
Part-time.....	57	18	75	
Total.....	8,240	1,348	9,588	2.0
(ii) <i>Proprietary Corporations</i>				
Full-time.....	121,411	10,860	132,271	
Part-time.....	28	2	30	
Total.....	121,439	10,862	132,301	28.4
(iii) <i>Other Crown Corporations</i>				
Full-time.....	789	1,193	1,982	
Part-time.....	2	10	12	
Total.....	791	1,203	1,994	0.4
(iv) <i>Departmental Corporations and Statutory Boards</i>				
Full-time.....	5,126	1,376	6,502	
Part-time.....	4	7	11	
Total.....	5,130	1,383	6,513	1.4
Total—All Crown Corporations				
Full-time.....	135,509	14,759	150,268	
Part-time.....	91	37	128	
Total.....	135,600	14,796	150,396	32.3

Table 2—EMPLOYMENT IN THE FEDERAL PUBLIC SERVICE¹—BY TYPE OF ENGAGEMENT AND SEX—
SEPTEMBER, 1960—Concluded

Type of Engagement	Male	Female	Total	Per cent of Federal Government Employment
(c) <i>Prevailing Rate Employees</i>				
Full-time.....	17,192	3,923	21,115	
Part-time.....	9	1,374	1,383	
Other.....	1,263	30	1,293	
Total.....	18,464	5,327	23,791	5.1
(d) <i>Ships' Officers and Crews</i>	—	—	3,033	0.7
(e) <i>Casuals and Others</i>	—	—	17,061	3.7
<i>Total, Employees Excluded from Act</i>	168,682	25,223	213,999	45.9
<i>Total, Civilian Employees</i>	264,054	61,798	345,946	74.2
3. <i>Armed Forces</i>	116,740	3,312	120,052	25.8
GRAND TOTAL ²	380,794	65,110	465,998	100.0

¹ In order to present an over-all picture of federal government employment, certain groups which are excluded from the concept of the public service, as used in this report, are included in this table: Armed Forces and the following Crown corporations—Canadian Broadcasting Corporation, Bank of Canada, Canadian National Railways, Canadian Overseas Telecommunication Corporation, Eldorado Aviation Limited, Eldorado Mining and Refining Limited, Northern Transportation Company Limited, Polymer Corporation and Trans-Canada Air Lines.

² This total excludes the following groups:

Revenue Postmasters.....	11,010
Full-time Assistant Postmasters.....	1,598
Part-time Assistant Postmasters.....	1,594
Governor General and Lt.-Governors.....	11
Judges.....	333
Ministers of the Crown.....	22

experience in Canada, the United States and the United Kingdom. In the United States, federal government employment approximates 2½ million civilians and 2½ million in the Armed Services. The total of 5 million persons engaged in the public service of the United States amounts to 2.8% of the population or 7% of the labour force—very close to the figures previously cited for Canada. In the United Kingdom, excluding the nationalized industries, there are approximately 650,000 persons employed in the civil service

and 464,000 individuals in the Armed Services. This total represents 2.1% of the British population and about 4.5% of the labour force. If employment in the nationalized industries is included, the British totals would be much closer to the comparable figures for Canada and the United States.

Government Payrolls and Labour Costs

20 The large size of federal government employment may also be gauged in terms of

payrolls and other labour costs. For the year 1959-1960 the total payroll for federal government employees has been estimated at roughly \$1.8 billion. This figure is made up of \$710 million for employees in government departments and departmental corporations, \$498 million for the Armed Forces and the R.C.M.P., and an estimated \$600 million for the various Crown corporations. The total of \$1.8 billion represents 10.2% of payrolls for all Canadian industry and 34.6% of payrolls in manufacturing industries.

21 Labour costs, other than direct payroll costs, are not readily available for Crown corporations but the Public Accounts do itemize these for employees in government departments, departmental corporations and the military services. In 1959-1960 total payroll and other labour costs amounted to \$1.4 billion in the latter areas. Of that total, 51% went to civilian salaries, wages and allowances, 35% to the pay and allowances of the defence forces and the R.C.M.P., 6% for professional and special services, and 8% for pensions, superannuation and other benefits. The total amounts to approximately one-half of all the government's operating expenditures, and one-quarter of the total of all government expenditures.

22 The foregoing data indicate that a large proportion of controllable government expenditure is accounted for by payroll and other labour costs. Government employment and payrolls also constitute a significant part of the whole Canadian economy and of the various labour markets in which the government operates.

*Current Employment—
By Type of Engagement*

23 Table 2 and Chart 1 also indicate the distribution of employment in the federal government by "type of engagement". The term "type of engagement" refers to the gen-

eral type of employment relationship under which the public servant is employed.

24 The number of employees fully subject to the Civil Service Act is relatively small. It amounts to 28% of total federal government employment. The remaining 72%, not subject to the Civil Service Act, fall into the following six categories:

Armed Services uniformed personnel	26%
Crown corporations.....	32%
"Salaried exempt" employees.....	4%
Prevailing rate employees.....	5%
Casual and other employees.....	4%
Ships' officers and crews.....	1%

25 At this point, it is pertinent to describe briefly the different categories of civilian employees not entirely subject to the Civil Service Act.

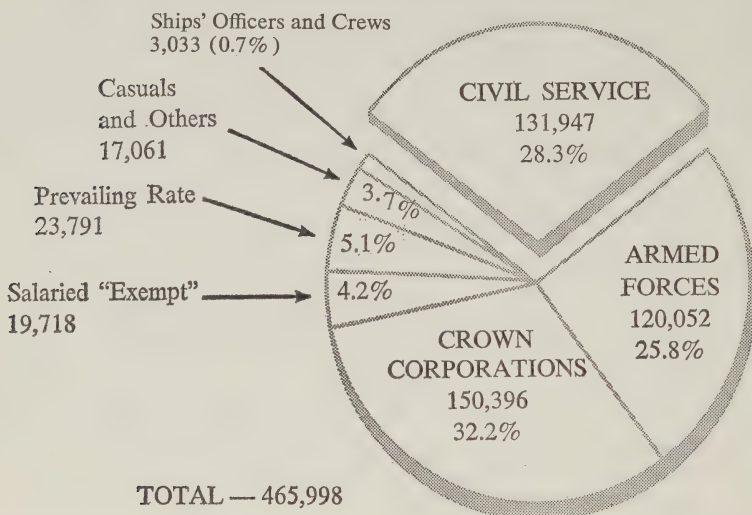
Exempt Employees

26 "SALARIED EXEMPT" EMPLOYEES. These employees are engaged in positions which are not subject in all respects to the provisions of the Civil Service Act. About one-half of them (9,079 out of 19,718) are members of the R.C.M.P. and the staffs of penitentiaries. The bulk of the remainder constitute the sessional staffs of Parliament, and the personal staffs of cabinet ministers, as well as deputy ministers and members of various boards and commissions.

27 PREVAILING RATE EMPLOYEES. This category, for the most part, comprises all employees whose remuneration is based on the rate of pay prevailing for the class of work performed in the area in which they are working. In most cases remuneration is expressed in terms of hourly wage-rates which, together with terms and conditions of employment, are largely the concern of the Treasury Board. The hiring of such personnel is performed by the employing departments.

28 Prevailing rate employees are normally engaged in unskilled or skilled occupations

Chart 1—EMPLOYMENT IN THE FEDERAL PUBLIC SERVICE BY TYPE OF ENGAGEMENT—SEPTEMBER, 1960*



*Certain groups which are excluded from the concept of the public service as used in this report are included in this Chart: Armed Forces, and the following Crown corporations: Canadian National Railways, Canadian Overseas Telecommunication Corporation, Eldorado Aviation Limited, Eldorado Mining and Refining Limited, Northern Transportation Company Limited, Polymer Corporation Limited, Trans-Canada Air Lines, Canadian Broadcasting Corporation and Bank of Canada.

outside the office. Employment in this category ranges between 25,000 and 50,000, varying with the season of the year. More than one-half of these employees are found in the Department of National Defence. Almost all the remainder are in the Departments of Agriculture, Northern Affairs and National Resources, Public Printing and Stationery, Public Works, Transport and Veterans Affairs.

29 CASUAL AND PART-TIME EMPLOYEES. Members of this category are usually employed for short periods of time to help with peak work-loads. For example, the processing of income tax returns and the sessions of Parliament create temporary seasonal demands. Then, too, there are emergency situations. It may be necessary to obtain temporary help for unfilled vacancies in the authorized permanent establishment or to fill positions of employees on lengthy leave of absence or on sick leave.

30 SHIPS' OFFICERS AND CREWS. Ships' officers and crews of government vessels were specifically exempted from the operation of the Civil Service Act of 1918 by the statute itself. Over one-half of these are employed by the Department of Transport. Almost all of the remainder are in the Departments of National Defence, Mines and Technical Surveys, Public Works and Fisheries.

31 EMPLOYEES IN CROWN CORPORATIONS. A simple classification of the federal government's Crown corporations is not easy. It is equally difficult to summarize the employment relationship in these corporations. The classification used in Table 2 is largely that set out in the Financial Administration Act of 1951. It is based upon two factors: degree of financial independence and nature of the activity involved. On this basis there are four groups of Crown corporations: departmental, agency, proprietary, and "other" Crown corporations.

32 Departmental corporations have administrative, supervisory or regulatory functions closely allied to the regular departments of the federal government. Agency corporations undertake trading, service and procurement operations. Proprietary corporations manage lending, financial, commercial or industrial operations, and are usually expected to finance themselves from the sale of their goods and services. The category "other" Crown corporations includes the Bank of Canada, Canadian Wheat Board, Industrial Development Bank, and the Northern Ontario Pipe Line Crown Corporation.

Status of Exempt Groups

33 It is evident from the foregoing data that a substantial part of federal government employment is exempt from the provisions of the Civil Service Act. Hence, it is important to trace the evolution of this development and to consider its implications for public personnel management.

34 There were only a few specific and quite limited statutory exemptions under the original Civil Service Act of 1918 and its subsequent amendments. These embraced: employees of government-owned railways and ships, sessional staffs of both Houses of Parliament and the Library of Parliament, individuals operating small revenue post offices (i.e. those with revenues of \$3,000 or less per annum), private secretaries and executive assistants to Ministers of the Crown, persons engaged locally outside of Canada, and employees filling positions declared by the Governor in Council to be prevailing rate positions. Apart from these statutory exemptions, the Act contained a general provision permitting the Civil Service Commission to recommend to the Governor in Council partial or complete exemption under circumstances in which the application of the Act, in whole or in part, would not be practicable or in the public interest. Appointment of deputy heads by the Governor in Council is provided for

in the statute establishing the department or agency concerned.

35 By far the largest group of exempt employees, however, is to be found in public agencies, created by specific legislation and set up for the most part since the 1930's. The purposes for which they were established, their conditions of work, the attitude of their senior administrators, and prevailing conditions in labour markets have all been factors leading to such exemption. An argument for exemption was the need for freedom and flexibility in staff matters or the view, as in the case of the Prairie Farm Rehabilitation organization, that the agency would be transitory.

36 Careful analysis of the position of the various exempt groups leads to a number of important observations having a direct bearing upon personnel policy. In the first place, many exemptions appear to be inconsistent with the intent of the Civil Service Act, which was designed to provide a unified public service. Furthermore, there is an evident lack of consistently applied principles or criteria for the determination of what groups should be exempt from application of the Civil Service Act.

37 Functional differences in themselves have not been a consistent basis for exemption. For example, among semi-commercial and semi-industrial operations, some groups are exempt, others are not. The National Film Board is exempt, while other operations in similar categories, such as the Department of Public Printing and Stationery, are under the Civil Service Act. Again, in the field of government procurement, disposal and construction, there are several exempt agencies, while other similar activities are under the Civil Service Act. In the field of research, the National Research Council, the Defence Research Board and the Fisheries Research Board are exempt, while there are large research establishments elsewhere sub-

ject to the provisions of the Act (Department of Agriculture and the Department of Mines and Technical Surveys). For marketing and price support programmes similar inconsistencies exist, and other examples could be given.

38 Occupational differences are as unsatisfactory as functional differences in suggesting a rationale for exemption. Persons needed to carry out particular tasks, whether in an exempt agency or not, must have the same or similar qualifications. For example, the qualifications required of personnel to fill positions in the exempt Fisheries Research Board and the National Research Council are similar in most respects to those required in the research branch of the Department of Agriculture or the Department of Mines and Technical Surveys. Perhaps the clearest example of inconsistency lies in the prevailing rate group. One finds numerous instances of exempt employees working side by side with civil servants doing similar jobs under similar conditions, yet subject to different treatment with respect to hiring practices, compensation, leave and other benefits.

39 The large number of exempt agencies and the lack of consistent personnel policies and practices have been detrimental to the efficiency of the public service and to the morale of those employed in it. Indeed, the present situation would appear to result in a fragmented rather than a unified public service. This in turn leads to dead-end jobs and tends to destroy the esprit de corps of the public service. Furthermore, fragmentation makes it impossible to have any degree of co-ordination and conformity of practice in personnel management. Anomalies occur in compensation, benefits and other personnel matters. Again, fragmentation results in less than optimum utilization of manpower, particularly highly skilled manpower. Differing employment standards and conditions act as a barrier both to transfers and promotions

and to the movement of employees between exempt agencies and the civil service.

40 It should be noted that different employment conditions also give rise to much confusion among the public about government jobs and create recruiting problems. These varying conditions also lead to unnecessary competition between the civil service and the exempt agencies in the labour market, particularly for manpower in scarce supply. A threat to the merit principle is posed because so much of the public service is outside the operation of the Civil Service Act.

41 Rates of pay and other conditions of employment that are more favourable for many senior positions in the exempt agencies than those for comparable civil service positions create an unhealthy situation. It is pertinent to question whether the direction of a large department should entail a scale of remuneration less than that offered for the direction of more limited activities in any exempt agency.

Employment Pattern of Women

42 Every department and agency of the federal government employs women. However, their share of available positions varies widely. The principal factors determining the proportion of women in a department or agency are the types of work to be performed by the department and the influence of custom and tradition in certain employment fields. Table 2 indicates that 28% of the work force in the civil service is made up of females, as compared with 8% in the proprietary corporations and 12% in the exempt categories as a whole. This reflects the fact that the civil service contains a large number of clerical and related office occupations. These are fields where one usually finds a higher proportion of females employed. By way of contrast, the proprietary corporations have a higher proportion of non-office occupations in which it is usual for males to be employed.

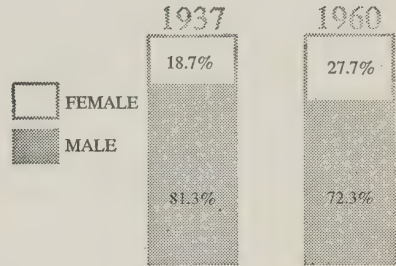
Again, it is evident that there are quite marked variations between the patterns in various regular departments within the civil service. In the Post Office Department, for instance, men have traditionally held most of the clerical and carrier jobs. A large proportion of the positions in the Dominion Bureau of Statistics and in the offices of the Comptroller of the Treasury, on the other hand, are in general clerical and office services—fields in which there is a high proportion of women.

43 Apart from clerical occupations, women find employment in professional and technical fields, particularly those connected with health, library work, the social sciences and social service. A few are found in administrative positions. The view may be entertained that employment opportunities for women in professional and technical fields are probably greater in the public service than in the private sector of the economy. Nevertheless, apart from the clerical occupations, an important factor limiting the number of women employed is the relative scarcity of women candidates with particular skills. However, a valuable pool of skilled and experienced female clerical employees is available as is evidenced by the number of married women found in part-time and casual employment in the public service.

44 The first available report on male-female ratios in the civil service is for the year 1937, at which time (as shown in Chart 2) 18.7% of civil service employees were women. By 1960, the proportion had increased to 27.7%. These numerical gains by women were related to the generally increased participation by females in the nation's work force. They also reflect the fact that, while the government's personnel requirements were increasing women secured the necessary training and employment experience to enter the public service in substantial numbers. Again, it is evident that a big stimulus to female employment occurred during World War II when

there was a shortage of male incumbents due to the demands of the Armed Services. Their excellent record during World War II resulted in a more willing acceptance of women by many departments.

Chart 2—MALE-FEMALE RATIOS IN THE CIVIL SERVICE 1937 AND 1960

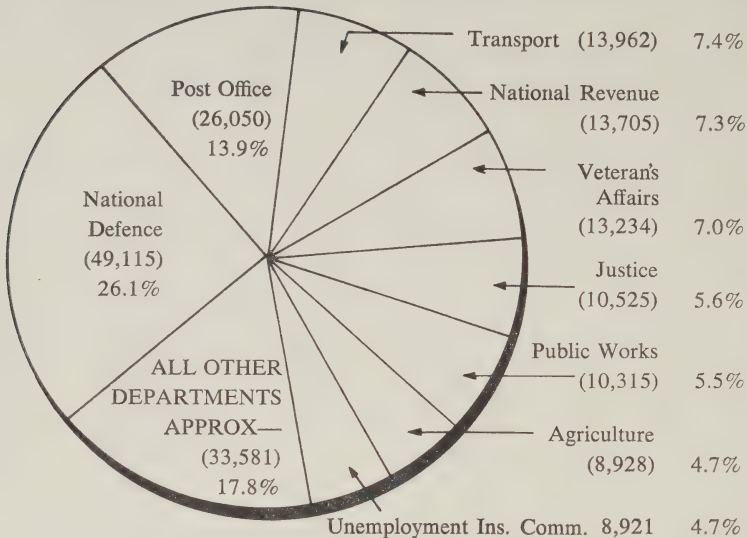


45 An important step leading to increased use of women was the dropping, in 1953, of the prohibition against the employment of married women in the civil service. Furthermore, the relatively recent provision protecting civil service tenure during pregnancy is undoubtedly influencing married women to retain jobs. It is quite evident that many women in the public service have now adopted a two-phase work cycle. After formal schooling, they work for a few years, then, following marriage, they stay out of the labour force for a number of years while they raise their families. Finally, they return to the labour force, often on either a temporary or part-time basis.

Distribution of Employment — By Department and Agency

46 Further insight into the size and complexity of the public service may be gained by studying the distribution of employment by department and agency. Relevant statistical data is to be found in Table 3 and Chart 3. It should be noted that Table 3 in effect provides an inventory of all manpower in the public service by department or agency,

Chart 3—DISTRIBUTION OF DEPARTMENTAL EMPLOYMENT—SEPTEMBER, 1960*



*Employment includes Civil Service employees, salaried employees not subject to the Civil Service Act, prevailing rate employees, Ships' Officers and crews, and casual employees.

grouped together so as to reflect ministerial responsibility. A number of significant generalizations and implications can be drawn from an assessment of the details found in Table 3:

THE LARGE NUMBER OF DEPARTMENTS AND AGENCIES. Table 3 lists more than 80 departments and agencies; in 1919, a comparable list would have included less than 40. Over the years names of various departments have been changed, some units have been merged, others have been subdivided or again, others have been allotted additional functions.

GREAT VARIATIONS IN SIZE. Within the public service wide variations in the size of departments and agencies are evident. The Department of National Defence, for example, with approximately 50,000 civilian employees is twice as large as the Post Office and is many times larger than the more typical departments, where employment ranges from roughly 500 to 4,000. Similar variations exist

in the sizes of the various agencies, commissions and corporations of the public service. Historically, particular departments have waxed and waned. Such differences in size as well as large changes in size place particular strains and stresses on personnel management, especially in the matters of co-ordination, communications, functional organization and manpower control.

CONCENTRATION OF FEDERAL EMPLOYMENT IN A FEW DEPARTMENTS. Nine departments employ roughly 80% of those on the public service payrolls (Chart 3). By far the largest number of persons are employed in the Department of National Defence (26.1%); the Post Office comes next (13.9%); and those under their respective ministers, Transport (7.4%), of National Revenue (7.3%), of Veterans Affairs (7.0%), of Justice (5.6%), of Public Works (5.5%), of Agriculture (4.7%), and of Unemployment Insurance Commission (4.7%). The remaining 18.1% represents the other departments.

Professional and Special Services Contracted Out

47 There is also a considerable amount of what may be termed "invisible" employment resulting from the system of contracting for services. While this is not a large item measured against total federal government employment, its use has expanded rapidly both in terms of the volume of services traditionally contracted out and in terms of new areas where the technique has been introduced.

48 The rapid growth of contracting out may be gauged from the fact that expenditures on professional or special services rose from approximately \$2.6 million in 1938-39 to over \$89 million in 1959-60.

49 The growth of contracting out may be seen in greater detail by referring to Table 4.

50 The great bulk of contracting for professional and special services, as measured by 1959-60 expenditures, is accounted for by five departments, as follows:

	<i>% of all contracted services</i>
Department of National Defence.....	47.2%
Department of Veterans Affairs.....	13.4%
National Health.....	10.1%
Transport.....	9.0%
Citizenship and Immigration.....	7.9%
Sub-Total.....	87.6%
Other.....	12.4%
Total—all contracted services....	100.0%

51 A great variety of work and services is contracted out by the federal government. Important in size are the hiring of certain facilities in R.C.A.F. establishments, the use of the Corps of Commissionaires, and contracting for medical and dental services by the Departments of National Defence, Vet-

erans Affairs, and National Health and Welfare. D.V.A. hospitals employ "half-day fee" doctors to supply the knowledge, skill and guidance required in treatment. This avoids the necessity of competing with the full-time earnings levels of doctors in private practice. The doctors find certain attractions in this source of regular income and in the opportunity to gain unusual case experience in D.V.A. hospitals. Other work and services let out include research and development, management analysis and similar services, weapons systems' management, legal and architectural services, plant design and construction supervision, stevedoring, trucking of mail, catering, cleaning and printing.

52 The practice undoubtedly enables the federal government to obtain professional and special services which might not otherwise be readily available to it. It is thereby permitted to draw upon sources of knowledge and experience which are not common in the public service. At the same time, contracting out also permits the completion of short-term projects without hiring extra employees who would be surplus to establishment once allotted tasks were finished. Other advantages are that new ideas can be introduced into the main stream of public service thought, outside agencies can provide objective studies, and special equipment may be obtained for "one shot" projects.

53 The major attraction of contracting out is economy. It is often stressed that specialized tasks are best performed by outside experts who would be on "make-work" much of the time if retained as permanent members of the public service, and that contracting out eliminates short-term hiring to meet brief-peak periods of demand for particular services. The practice also makes it possible to hire individuals whose talents are in scarce supply.

54 The many benefits accruing from contracting out undoubtedly make it attractive.

Table 3—EMPLOYMENT IN THE FEDERAL PUBLIC SERVICE—BY DEPARTMENT AND AGENCY¹—SEPTEMBER, 1960²

	UNDER THE CIVIL SERVICE ACT			EXCLUDED FROM THE CIVIL SERVICE ACT								
			Total	Salaried		Prevailing Rate			Ships' Officers and Crews		Casuals and Others	Total
	Full-time	Part-time		Full-time	Part-time	Full-time	Part-time	Other	Total			
A. Parliament ²												
House of Commons, Senate and Library of Parliament.....	286	—	286	154	71	225	—	6	—	—	—	517
Auditor General (SO).....	127	—	127	1	—	1	—	—	—	—	—	128
Civil Service Commission (SB).....	653	—	653	3	—	3	—	—	—	—	16	672
Total.....	1,066	—	1,066	158	71	229	—	6	—	16	—	1,317
B. The Privy Council.....												
1. The Cabinet The Prime Minister Canada Council (OC) Halifax Relief Commission.....	141	—	141	13	—	13	—	—	—	—	—	154
2. Treasury Board (Included under "Finance")	—	—	—	5	—	5	—	—	—	—	—	5
3. Committee on Scientific and Industrial Research National Research Council (DC)..... Atomic Energy Control Board (DC).....	—	—	—	2,434	1	2,435	—	—	—	—	565	3,000
	—	—	—	8	—	8	—	—	—	—	—	8

Atomic Energy of Canada Limited (AC).....	—	—	—	2,629	7	2,636	—	—	—	—	—	2,636
Total.....	141	—	141	5,089	8	5,097	—	—	—	—	565	5,803

C. Governor General's Secretary.....	15	—	15	1	—	1	—	—	—	—	—	16
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D. Departments												
1. Agriculture Department.....	6,181	119	6,300	676	1	677	1,407	11	195	1,613	—	338 8,928
Board of Grain Commissioners (SB)	886	—	886	196	—	196	2	—	—	2	—	125 1,209
Agricultural Stabiliza- tion Board (DC).....	—	—	—	6	—	6	—	—	—	—	—	6
Farm Credit Corporation (PC)....	—	—	—	245	26	271	—	—	—	—	—	2 273
Canadian Wheat Board (OC).....	—	—	—	687	9	696	—	—	—	—	—	696
Total.....	7,067	119	7,186	1,810	36	1,846	1,409	11	195	1,615	—	465 11,112

2. Citizenship and Immigration Department.....	2,801	3	2,804	1,547	31	1,578	48	7	—	55	3	153 4,593
Dominion Archivist (SO).....	93	—	93	5	—	5	4	4	—	8	—	5 111
National Librarian (SO).....	42	—	42	1	—	1	—	—	—	—	—	— 43
National Film Board (SB).....	—	—	—	734	—	734	—	—	—	—	—	52 786
National Gallery of Canada (DC).....	65	1	66	—	—	—	1	—	—	1	—	7 74
Total.....	3,001	4	3,005	2,287	31	2,318	53	11	—	64	3	217 5,607

Table 3—EMPLOYMENT IN THE FEDERAL PUBLIC SERVICE—BY DEPARTMENT AND AGENCY¹—SEPTEMBER, 1962—Continued

EXCLUDED FROM THE CIVIL SERVICE ACT														
UNDER THE CIVIL SERVICE ACT				Salaried			Prevailing Rate			Ships' Officers and Crews		Casuals and Others		Total
Full-time	Part-time	Total		Full-time	Part-time	Total	Full-time	Part-time	Other	Total	Officers and Crews	Others		
3. <i>Defence Production</i>														
1,367	1	1,368		68	—	68	—	—	—	—	—	1	1,437	
Department.....														
Canadian Arsenals Limited (AC).....														
—	—	—	2,943	6	2,949	—	—	—	—	—	—	1	2,950	
Canadian Commercial Corporation (AC) ..														
—	—	—	56	—	56	—	—	—	—	—	—	—	56	
Crown Assets Disposal Corporation (AC) ..														
—	—	—	104	—	104	—	—	—	—	—	—	5	109	
Defence Construction (1951) Ltd. (AC).....														
—	—	—	376	—	376	—	—	—	—	—	—	53	429	
Polymer Corporation Limited (PC) ²														
—	—	—	2,633	—	2,633	—	—	—	—	—	—	—	2,633	
Total.....														
1,367	1	1,368	6,180	6	6,186	—	—	—	—	—	—	60	7,614	
4. <i>External Affairs</i>														
Department.....														
1,357	1	1,358	556	—	556	—	—	—	—	—	—	126	2,040	
International Joint Commission.....														
9	—	9	3	—	3	—	—	—	—	—	—	—	12	
Total.....														
1,366	1	1,367	559	—	559	—	—	—	—	—	—	126	2,052	
5. <i>Finance (Includes Royal Canadian Mint)</i>														
Department.....														
652	1	653	10	—	10	—	—	—	—	—	—	56	719	
Comptroller of the Treasury (SO).....														
4,297	—	4,297	60	—	60	—	—	—	—	—	—	—	4,357	
17	—	17	5	—	5	—	—	—	—	—	—	—	22	
Tariff Board (SB).....														
—	—	—	1,012	—	1,012	—	—	—	—	—	—	—	1,012	
Bank of Canada (OC) ²														

Industrial Development Bank (OC) ² ...	—	—	—	259	—	—	—	—	—	259
Total.....	4,966	1	4,967	1,346	—	1,346	—	—	—	56 6,369
6. Fisheries										
Department.....	1,183	18	1,201	9	—	9	59	1	406	466 327 346 2,349
Fisheries Prices										
Support Board (DC)	—	—	—	5	3	8	—	—	—	— 8
Fisheries Research Board (SB) ²	—	—	—	541	7	548	—	—	—	67 10 625
Total.....	1,183	18	1,201	555	10	565	59	1	406	466 394 356 2,982
7. Insurance.....	92	2	94	1	—	1	—	—	—	— 95
8. Justice										
Department.....	317	—	317	42	—	42	—	—	—	— 3 362
Royal Canadian Mounted Police.....	1,030	—	1,030	6,623	28	6,651	—	—	—	— 7,681
Commissioner of Penitentiaries (SO)...	94	—	94	2,364	22	2,386	—	—	—	— 2 2,482
Total.....	1,441	—	1,441	9,029	50	9,079	—	—	—	— 5 10,525
9. Labour										
Department.....	560	—	560	27	—	27	—	—	—	— 12 599
Unemployment Insurance Commission (DC).....	7,849	—	7,849	3	—	3	3	—	—	— 1,066 8,921
Total.....	8,409	—	8,409	30	—	30	3	—	—	— 1,078 9,520
10. Mines and Technical Surveys										
Department.....	2,315	297	2,612	9	—	9	71	—	10	81 ³ 56 ³ — 2,758
Dominion Coal Board (DC).....	18	—	18	—	—	—	—	—	—	— 18
Total.....	2,333	297	2,630	9	—	9	71	—	10	81 56 — 2,776

Table 3—EMPLOYMENT IN THE FEDERAL PUBLIC SERVICE—BY DEPARTMENT AND AGENCY¹—SEPTEMBER, 1960²—Continued

	UNDER THE CIVIL SERVICE ACT			EXCLUDED FROM THE CIVIL SERVICE ACT						
	Full-time		Total	Salaried			Prevailing Rate		Ships' Officers and Crews	Casuals and Others
	time	part-time		Full-time	part-time	Total	Full-time	part-time		
11. <i>National Defence</i> ²										
Department.....	26,555	91	26,646	1,275	—	1,275	13,134	6	653	7,401
The Armed Forces.....	—	—	—	120,052	—	120,052	—	—	—	—
Defence Research Board (SB).....	—	—	—	2,785	3	2,788	—	—	—	336
Total.....	26,555	91	26,646	124,112	3	124,115	13,134	6	653	7,737
12. <i>National Health and Welfare</i>										
Department.....	2,906	47	2,953	1,098	—	1,098	457	—	4	299
Total.....	2,906	47	2,953	1,098	—	1,098	457	—	4	299
13. <i>National Revenue</i>										
Department.....	13,535	134	13,669	14	6	20	9	—	7	—
Board of Broadcast Governors (SB).....	24	—	24	3	—	3	—	—	—	—
Canadian Broadcasting Corporation (PC)....	—	—	—	7,272	—	7,272	—	—	—	73
Tax Appeal Board (SB).....	—	—	—	7	—	7	—	—	—	—
Total.....	13,559	134	13,693	7,296	6	7,302	9	—	7	73
14. <i>Northern Affairs and National Resources</i>										
Department.....	2,033	143	2,176	260	—	260	1,465	19	—	—
Eastern Rockies Forest Conservation Board	—	—	—	—	1	1	—	—	—	—
National Battlefields Commission (AC) ..	—	—	—	23	28	51	—	—	—	—
Total.....	2,033	143	2,176	260	—	260	1,465	19	—	—

Northern Canada Power Commission (AC).....	—	—	—	153	—	153	—	—	—	—	26	179
Total.....	2,033	143	2,176	436	29	465	1,465	19	682	2,166	—	26 4,833
15. <i>Post Office</i>	22,911	—	22,911	6	2,504	2,510	24	—	—	24	—	605 26,050
16. <i>Public Printing and Stationery</i>	637	—	637	1	—	1	1,173	—	—	1,173	—	10 1,821
17. <i>Public Works</i> Department.....	4,781	476	5,257	720	294	1,014	686	1,297	—	1,983	350	1,711 10,315
Central Mortgage and Housing Corp. (PC)	—	—	—	1,874	—	1,874	—	—	—	—	—	53 1,927
National Capital Commission (AC) ..	—	—	—	620	—	620	—	—	—	—	—	16 636
Total.....	4,781	476	5,257	3,214	294	3,508	686	1,297	—	1,983	350	1,780 12,878
18. <i>Secretary of State and Registrar-General</i> Department.....	715	—	715	14	—	14	—	—	—	—	—	— 729
Custodian of Enemy Property (OC).....	—	—	—	22	1	23	—	—	—	—	—	— 23
Chief Electoral Officer of Canada (SO)	21	—	21	2	—	2	—	—	—	—	—	— 23
Total.....	736	—	736	38	1	39	—	—	—	—	—	— 775
19. <i>Trade and Commerce</i> Department.....	1,114	3	1,117	315	11	326	50	—	—	50	—	49 1,542
Dominion Bureau of Statistics (SB).....	1,699	1	1,700	1	—	1	—	—	—	—	—	47 1,748
Eldorado Mining and Refining Ltd. (PC)..	—	—	—	1,201	—	1,201	—	—	—	—	—	4 1,205
Eldorado Aviation Ltd. (PC).....	—	—	—	43	—	43	—	—	—	—	—	— 43

Table 3 — EMPLOYMENT IN THE FEDERAL PUBLIC SERVICE — BY DEPARTMENT AND AGENCY¹ — SEPTEMBER, 1960² — Concluded

	UNDER THE CIVIL SERVICE ACT			EXCLUDED FROM THE CIVIL SERVICE ACT								
	Full- time	Part- time	Total	Salaried		Prevailing Rate			Ships' Officers and Crews		Casuals and Others	Total
				Full- time	Part- time	Total	Full- time	Part- time	Other	Total		
Northern Transporta- tion Co. Ltd. (PC) ..	—	—	—	320	—	320	—	—	—	—	50	370
Export Credits Insur- ance Corporation (AC)	—	—	—	31	—	31	—	—	—	—	—	31
National Energy Board (SB)	35	—	35	6	—	6	—	—	—	—	—	41
Northern Ontario Pipe Line Crown Corp. (OC)	—	—	—	2	2	4	—	—	—	—	—	4
National Productivity Council ²	—	—	—	2	—	2	—	—	—	—	—	2
Total	2,848	4	2,852	1,921	13	1,934	50	—	50	—	150	4,986
20. <i>Transport</i>												
Department	9,468	35	9,503	106	385	491	880	4	—	884	1,566	13,962
Air Transport Board (SB)	67	—	67	3	—	3	—	—	—	—	—	70
Board of Transport Commissioners (SB) Canadian Maritime Commission (DC) ..	153	—	153	7	—	7	—	—	—	—	—	160
Canadian National Railways (PC)	21	—	21	1	—	1	—	—	—	—	—	22
Trans-Canada Air Lines (PC)	—	—	—	105,742	—	105,742	—	—	—	—	1,409	107,151
	—	—	—	11,341	—	11,341	—	—	—	—	110	11,451

Can. Overseas Tele-communication Corp. (PC).....	—	—	—	380	4	384	—	—	—	—	15	399	
National Harbours Board (AC).....	—	—	—	2,609	34	2,643	—	—	—	—	252	2,895	
St. Lawrence Seaway Authority (PC) ²	—	—	—	1,174	—	1,174	—	—	—	—	133	1,307	
Cornwall International Bridge Co. Ltd. (PC) ²	—	—	—	15	—	15	—	—	—	—	—	15	
Total.....	9,709	35	9,744	121,378	423	121,801	880	4	—	884	1,566	3,437	137,432
<i>21. Veterans Affairs</i>													
Department.....	11,438	14	11,452	88	24	112	1,642	28	—	1,670	—	—	13,234
Canadian Pension Commission.....	—	—	—	15	—	15	—	—	—	—	—	—	15
Total.....	11,438	14	11,452	103	24	127	1,642	28	—	1,670	—	—	13,249
Grand Totals.....	130,560	1,387	131,947	286,657	3,509	290,166	21,115	1,383	1,293	23,791	3,033	17,061	465,998

¹Departments and Agencies have been grouped together so as to reflect ministerial responsibility.

²Information reported for a date later than September 30, 1960, by some departments and agencies.

³Excludes field parties which in the period April-December, 1959 employed 387 prevailing rate, 441 ships' crew and 83 casual employees.

Abbreviations and Definitions relating to Local Status

SO — *Statutory Officer*—An officer who, by statute, is in any way independent of the deputy head of the appropriate department or has extra-departmental responsibilities of a special nature.

SB — *Statutory Board*—A body created by statute but not incorporated.

DC — *Departmental Corporation*—A Crown corporation which is a servant or agent of Her Majesty in right of Canada and is responsible for administrative, supervisory, or regulatory services of a governmental nature.

AC — *Agency Corporation*—A Crown corporation which is an agent of Her Majesty in right of Canada and is responsible for the management of trading or service operations on a quasi-commercial basis, or for the management of procurement, construction or disposal activities on behalf of Her Majesty in right of Canada.

PC — *Proprietary Corporation*—A Crown corporation which (1) is responsible for the management of lending or financial operations, or for the management of commercial and industrial operations involving the production of or dealing in goods and the supplying of services to the public, and (2) is ordinarily required to conduct its operations without appropriations from the Federal Treasury.

OC — *Other Crown Corporations*—Bank of Canada, Canadian Wheat Board, Industrial Development Bank, Northern Ontario Pipe Line Crown Corp., Custodian of Enemy Property.

Table 4—PROFESSIONAL AND SPECIAL SERVICES CONTRACTED OUT RELATED TO OTHER TYPES OF FEDERAL GOVERNMENT EXPENDITURE FOR SELECTED YEARS

Year	Government Expenditure on Contracting Out	Expenditure as Percentage of Labour Costs*	Expenditure as Percentage of Civilian Salaries and Wages	Expenditure as Percentage of Total Govt. Expenditure
1938-39.....	\$ 2,599,223	2.6	3.4	0.5
1950-51.....	\$17,258,201	3.6	5.5	0.8
1954-55.....	\$49,553,110	4.8	9.7	1.2
1959-60.....	\$89,026,683	6.3	12.5	1.6

*Labour Costs include special pay and allowances, pensions, superannuation and other benefits.

Nevertheless, over-reliance on it has some disadvantages. In the first place, contracting out may limit the opportunities for permanent employees to gain experience and knowledge which would foster their career development.

55 Secondly, extensive use may tend to bid up the salaries of scarce skills. The United States government, for instance, has found that contract research and development has recently taken about 12,000 employees *per annum* from its service because, in many instances, governments cannot match salaries offered by outside concerns. Finally, contracting out is an area in which decision makers ought to be aware of the dangers of various species of patronage.

56 These observations are not to be taken as a condemnation of the practice; rather they warn of some of the dangers in its use. No simple set of rules can be developed to govern all circumstances and conditions in which government departments should contract out. Nevertheless, possible difficulties and areas of conflict should be recognized by those who settle the policy in this field. With the growth of modern government, the contract system is here to stay, and there is need for continuous examination of its effective use.

GEOGRAPHIC DISTRIBUTION OF MANPOWER IN THE PUBLIC SERVICE

57 An important characteristic of public service employment in Canada is its geographic distribution. Data dealing with this is presented in summary form in Table 5. Attention is drawn here only to major geographical patterns and trends.

Rapid Growth Outside Ottawa

58 By far the largest number of civilian employees in each of the four major categories found in the public service, are located outside Ottawa. The actual percentage of each group located outside the nation's capital is as follows:

Civil service.....	73.3%
Salaried exempt.....	87.8%
Crown corporations.....	73.2%
Prevailing rate employees.....	88.7%

59 Not only have the absolute numbers outside Ottawa grown rapidly in recent years, along with the over-all expansion of government employment, but there has also been some increase in the proportion of public service employees found outside the Capital. It has been estimated that 65% of the civil service was located outside Ottawa in 1939; by 1960 this percentage had risen to 73%.

Table 5—GEOGRAPHICAL DISTRIBUTION OF FULL-TIME PUBLIC SERVICE EMPLOYEES—
SEPTEMBER, 1960

	<i>Civil Service</i>		<i>Not under Civil Service Act</i>		
		<i>In Departments (Salaried)</i>	<i>Crown Corpora- tions*</i>	<i>Prevailing Rates</i>	<i>Total</i>
Grand Total.....	130,560	16,337	20,324	21,115	188,336
Ottawa-Hull.....	34,795	1,995	5,440	2,389	44,619
Remainder of Canada.....	94,967	12,853	14,782	18,726	141,328
Outside Canada.....	798	1,489	102	—	2,389
Total Canada.....	129,762	14,848	20,222	21,115	185,947
<i>Provinces and Metropolitan Areas</i>					
Newfoundland.....	2,247	314	129	532	3,222
St. John's.....	1,228	83	119	103	1,533
Nova Scotia.....	6,625	776	703	2,819	10,923
Halifax.....	4,616	348	673	1,880	7,517
Prince Edward Island.....	608	84	23	250	965
New Brunswick.....	4,568	622	256	921	6,367
Saint John.....	1,329	59	139	151	1,678
Quebec.....	21,167	1,582	5,897	2,798	31,444
Montreal.....	12,699	318	2,486	1,394	16,897
Quebec.....	2,851	53	1,111	309	4,324
Ontario.....	63,950	4,041	10,615	6,668	85,274
Toronto.....	12,120	277	1,436	695	14,528
Hamilton.....	1,449	35	57	14	1,555
London.....	3,090	48	100	467	3,705
Windsor.....	1,176	30	32	9	1,247
Manitoba.....	6,483	1,105	991	1,263	9,842
Winnipeg.....	5,168	282	724	497	6,671
Saskatchewan.....	3,394	2,017	235	607	6,253
Alberta.....	7,656	1,520	647	2,052	11,875
Calgary.....	2,313	156	105	358	2,932
Edmonton.....	3,570	489	112	241	4,412
British Columbia.....	12,165	2,241	597	2,558	17,561
Vancouver.....	6,863	469	312	417	8,061
Victoria.....	2,777	209	100	1,084	4,170
Yukon.....	533	138	14	363	1,048
Northwest Territories.....	366	408	115	284	1,173
Total Metropolitan Areas (excluding Ottawa-Hull).....	61,249	2,856	7,506	7,619	79,230

*Excludes the following Crown corporations which are not considered as part of the public service for purposes of this report: Canadian National Railways, Canadian Overseas Telecommunication Corporation, Eldorado Aviation Limited, Eldorado Mining and Refining Limited, Northern Transportation Company Limited, Polymer Corporation, Trans-Canada Air Lines, Canadian Broadcasting Corporation and the Bank of Canada.

NOTE: Detailed data on geographic distribution of full-time employees by department, agency, and corporation are set out in Statistical Appendices A1, 2, 3, 4, 5 and 6.

60 Government employees are found in every province and territory and in every city in Canada, with the majority of those located outside Ottawa concentrated in fourteen metropolitan centres. These metropolitan areas also have concentrations of Crown corporation, "salaried exempt", and pre-vailing rate employees.

61 An increasing number of public servants are located outside Canada. Approximately 9% of all "salaried exempt" employees and 0.6% of all civil servants are now located abroad. The largest groupings of civil servants outside Canada are attached to the Departments of External Affairs, Trade and Commerce, Citizenship and Immigration, National Defence, and Defence Production. In addition to the Canadians serving abroad, there are also a number of foreign nationals employed locally by Canadian missions.

Geographic Distribution by Department

62 An examination of employment in the public service by departments and agencies indicates that the largest departments have the greatest geographic dispersion. Employees of the Department of National Defence, the Post Office, the Customs and Excise Division and the Taxation Division of the Department of National Revenue, the Department of Transport, the Department of Veterans Affairs, the Unemployment Insurance

Commission and the Department of Agriculture form the bulk of the civil servants outside Ottawa. Some 1,200 public service employees are located in the Yukon and Northwest Territories, most of them attached to the Departments of National Defence, Transport, and Northern Affairs and National Resources, and to the Northern Canada Power Commission. On the other hand, the nature of the work of certain departments and agencies requires most of their employees to be located in Ottawa, for instance, the Dominion Bureau of Statistics.

Factors Affecting Geographic Distribution

63 The growth of Canada's population and economy has led to demands for speedier and more efficient service, thus requiring greater geographic dispersal of employees. This need for on-the-spot government services is reflected, for instance, in local branches of the Departments of Citizenship and Immigration, Trade and Commerce, Public Works, Transport, and the Post Office. In recent years, too, new functions have been established on a geographically dispersed basis. In this group fall local and regional offices of the National Employment Service, Unemployment Insurance, Family Allowances, Income Tax and Veterans Affairs. Added military and international responsibilities also require greater dispersion of employees.

2

COMPOSITION OF THE PUBLIC SERVICE

OCCUPATIONAL PATTERNS AND TRENDS IN THE PUBLIC SERVICE

Occupational Groups

1 A classification of occupations according to level of skill presents difficulties; nevertheless, a grouping is needed to give some perspective on the many occupational classifications within the public service. Occupations have been grouped into the five major occupational categories on the basis of skill requirements and responsibility carried. This five-fold occupational framework is one used frequently in manpower analyses and has been adopted in Table 6. Despite the probability of overlapping at the margins of these groupings, this approach gives a useful, general picture of the public service.

2 Normally, statistics on the civil service show separate categories for: Postal, Customs, Immigration, Hospital, and Legislation employees. For purposes of this analysis employees in these categories have been distributed among the five occupational groups listed. Because of common practice, graduate nurses have been included in the professional

category, although many of them do not have university degrees. Accounting and auditing positions are included under a special sub-heading of the Administrative category.

3 PROFESSIONAL. Employees engaged in work for which specialized university training is normally a requirement, e.g., chemists, engineers, economists, and solicitors. The professional group is further divided into the following areas of specialization: physical sciences, biological sciences, medical science and nursing, law, social science and others.

4 ADMINISTRATIVE. Employees engaged in work of a managerial or administrative nature, for which the normal educational requirement may range from high school graduation to university training (not necessarily specialized), e.g., personnel in senior managerial positions, and in work associated with accounting and financial control, auditing, purchasing and contract management, production planning and control, public relations, and industrial or personnel relations. Supervisors directly associated with professional, technical, clerical, or service, maintenance and production work have been re-

Table 6—OCCUPATIONAL DISTRIBUTION OF FULL-TIME PUBLIC SERVICE EMPLOYEES—
SEPTEMBER, 1960

Occupational Groups	Employees not under Civil Service Act				Total
	Civil Service	In Departments (Salaried)	Crown Corporations	Prevailing Rate	
1. Professional.....	7,819	2,396	2,346	—	12,561
2. Administrative.....	16,705	339	1,129	—	18,173
3. Technical.....	17,124	911	3,902	145	22,082
Sub-total, 1-3.....	41,648	3,646	7,377	145	52,816
4. Clerical.....	58,030	1,932	4,868	—	64,830
Sub-total, 1-4.....	99,678	5,578	12,245	145	117,646
5. Service, Maintenance and Production.....	30,882	10,759	8,079	20,970	70,690
Grand Total.....	130,560	16,337	20,324	21,115	188,336

NOTE: Detailed data on occupational distribution of full-time employees by department, agency and corporation set out in Statistical Appendices B-1 and 2.

ported with their respective trade or profession rather than as administrative employees.

5 TECHNICAL. Employees engaged in work for which university training is not normally a requirement but for which a relatively high degree of technical or specialized knowledge is required, e.g., laboratory technicians, draftsmen, radio operators, photographers, and inspectors of technical standards. Originally the Technical Officer series was established to provide sub-professional or technician support staff for professional groups. However, in recent years, the Technical Officer series has also come to include many lower level professional jobs as well as a few upper level clerical positions. Since the job specifications for Technical Officer positions are quite flexible (e.g., equivalent amount of experience as an alternative to educational requirements), this series has lengthened rapidly at both

ends. Unless specifications are tightened, the series will soon include a number of civil servants who are not, strictly speaking, technicians or sub-professional workers.

6 CLERICAL. Employees engaged in the provision of office services. Clerical positions have been grouped under the following sub-headings: general clerical, stenographic (including typing and secretarial), punched card operators, office machine operators and telephone operators.

7 SERVICE, MAINTENANCE AND PRODUCTION. Unskilled, semi-skilled and skilled employees directly involved in the maintenance or servicing of stores, buildings or equipment, or in the production of goods, e.g., tool and die makers, machinists, electricians, lathe operators, assemblers, packers, storemen, elevator operators, cleaners and operators.

Present Occupational Patterns

8 Statistical material outlining present occupational patterns and trends in the public service has been summarized in Tables 6 and 7, and Chart 4. Certain broad generalizations based on analysis of these data are possible.

✓ **OCCUPATIONAL BIAS OF THE PUBLIC SERVICE LABOUR FORCE.** The civil service sector of the public service labour force is composed largely of professional, administrative, clerical, and technical employees. These account for 65.1% of total public service employment (76% in the civil service, 72% in the departmental "salaried exempt" group, 60% in Crown corporations and less than 1% in the prevailing rate group) as against only 40% in Canada's total labour force and 25% in its manufacturing industries.

✓ **HIERARCHICAL STRUCTURE.** The public service resembles a pyramid, with a large base, substantial middle section, and tiny apex. The base consists of the large number of clerical workers and a smaller number of non-office workers. Professional, technical and lower level administrative employees constitute the middle section. The apex takes the form of a small number of senior administrative personnel.

LARGE NUMBER AND VARIETY OF OCCUPATIONS. Some idea of the scope and complexity of government can be gathered from the wide variety of employment it embraces. There is scarcely an occupation unrepresented in the public service: every sort of work, every type of skill, every level of technical specialization, every profession is to be found. This high degree of specialization contrasts with the situation a few decades ago when nearly all employees in most federal departments were clerks engaged largely in administrative and clerical work. Today, the many-sidedness of government operations has expanded the work of public servants beyond the realms of administration into the fields of research, inspection, services, and even production. In

short, heterogeneity is the essence of the federal service today. There is no "typical" federal public servant.

VARYING OCCUPATIONAL MIX IN DEPARTMENTS. The distribution of occupations varies greatly among departments, depending on the nature of the departmental functions. For example, the Comptroller of the Treasury employs a relatively high number of clerical workers. A high proportion of craftsmen and other manual workers are concentrated in the Department of Public Works and the Department of Public Printing and Stationery, while the Department of Agriculture employs a large number of professional employees for its research activities. Some occupations, such as the clerical, are well represented in almost all departments. Others are largely concentrated in a few, as for example, lawyers and economists. Specialized occupations, such as meteorologists, may be limited to one department.

MANY UNIQUE OCCUPATIONS IN THE PUBLIC SERVICE. Although a majority of occupations in the government are similar to those in non-public agencies, there are a number found uniquely, or primarily, in public employment, such as meteorologists, or certain classes of agricultural scientists. The occupational and educational composition of the public service tends, therefore, to differ in a number of areas, from that of private industry.

LARGE PROPORTION OF HIGH-CALIBRE MANPOWER IN PUBLIC SERVICE. The degree of specialization in the public service is indicated by the fact that 28% of all occupations (32% in the civil service and 36% in Crown corporations) may be classified as "high-calibre manpower" occupations—professional, administrative and technical. Increasingly, these require university or specialized training; many require post-graduate study and considerable experience. The range of professional, technical, and administrative positions is suggested by Chart 4. With the in-

Table 7—OCCUPATIONAL DISTRIBUTION OF CIVIL SERVICE EMPLOYEES—BY AREA OF SPECIALIZATION—
SEPTEMBER, 1960

<i>Area of Specialization</i>	<i>Number of Employees</i>	<i>Percentage Distribution</i>
1. Professional		
(a) <i>Physical Science</i>		
Engineering.....	1,336	1.0
Other.....	1,327	1.0
Total.....	2,663	2.0
(b) <i>Biological Science</i>	1,388	1.1
(c) <i>Medical Science and Nursing</i>		
Medicine.....	494	0.4
Nursing.....	1,753	1.3
Veterinary Science.....	408	0.3
Total.....	2,655	2.0
(d) <i>Law</i>	193	0.2
(e) <i>Social Sciences and Others</i>		
Education.....	142	0.1
Dietetics.....	108	0.1
Social Work.....	95	0.1
Library Science.....	117	0.1
Economics and Statistics.....	411	0.3
Other.....	47	—
Total.....	920	0.7
<i>Total, Professional Group</i>	7,819	6.0
2. Administrative		
A—Managerial.....	1,861	1.4
B—Accounting.....	3,070	2.4
C—General.....	11,774	9.0
<i>Total, Administrative</i>	16,705	12.8
3. Technical	17,124	13.1
<i>Sub-Total 1-3</i>	41,648	31.9

Table 7—OCCUPATIONAL DISTRIBUTION OF CIVIL SERVICE EMPLOYEES—BY AREA OF SPECIALIZATION—
SEPTEMBER, 1960—Concluded

<i>Area of Specialization</i>	<i>Number of Employees</i>	<i>Percentage Distribution</i>
4. Clerical		
(a) General Clerical.....	41,367	31.6
(b) Stenographic.....	13,072	10.1
(c) Punched Card Equipment Operator.....	942	0.7
(d) Office Machine Operator.....	1,063	0.8
(e) Telephone Operator.....	1,586	1.2
<i>Total, Clerical</i>	58,030	44.4
<i>Sub-Total 1-4</i>	99,678	76.3
5. Service and Maintenance		
(a) Crafts and Trades.....	3,714	2.8
(b) Stores and Buildings.....	15,750	12.2
(c) Other.....	11,418	8.7
<i>Total, Service and Maintenance</i>	30,882	23.7
<i>Grand Total</i>	130,560	100.0

NOTE: Detailed data on occupational distribution of Civil Service employees by area of specialization and by department are set out in Statistical Appendix B-3.

creasingly technical nature of modern warfare, the armed forces also require highly trained specialists, including engineers and scientists as well as technicians. No other employer can boast such an impressive array of talent on its payrolls. Nowhere else in Canada is there found such a collection of specialists in a single organization.

CONCENTRATION OF HIGH-CALIBRE MANPOWER IN CERTAIN DEPARTMENTS. There are large variations in the degree of utilization of high-calibre manpower among various departments in the public service. It tends to be concentrated in a few departments and scattered thinly throughout the balance of the public service. In fifteen departments and agencies professional manpower as a per-

centage of the full-time salaried employees varies from 10% to 29% (Table 8). Of these fifteen, six account for more than 60% of the professional manpower in the public service, with the Departments of Veterans Affairs and Agriculture having the largest groups. A number of factors influence this pattern. Services provided by some departments require a relatively large proportion of high-calibre manpower, for example, medical doctors in the Departments of National Health and Welfare and Veterans Affairs; lawyers in the Department of Justice; and economists in the Dominion Bureau of Statistics. In other departments or agencies extensive research activities demand large numbers of professional personnel, as, for example, in the Departments of Agriculture and Mines

Chart 4—OCCUPATIONAL DISTRIBUTION OF CIVIL SERVICE EMPLOYEES—BY AREA OF SPECIALIZATION—SEPTEMBER, 1960

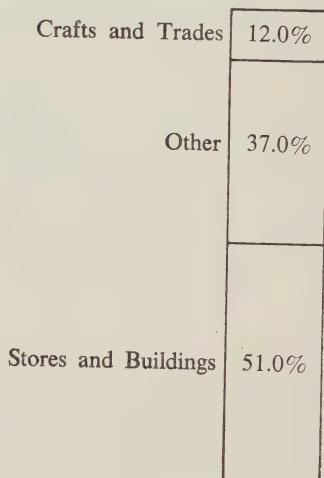
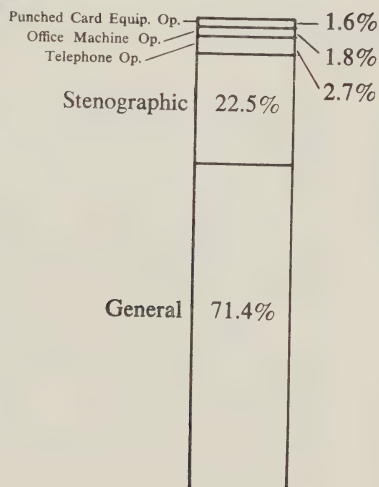
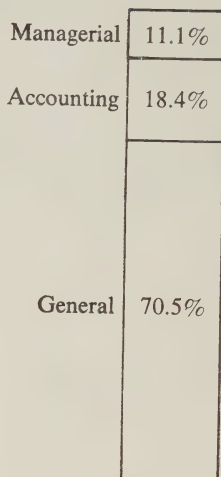
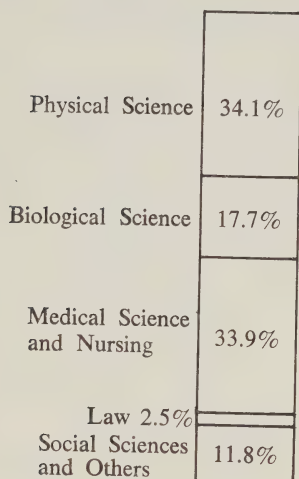


Table 8 — CONCENTRATION OF PROFESSIONAL MANPOWER IN THE PUBLIC SERVICE* — BY DEPARTMENT OR AGENCY

(Total Employment of 100 or more) September, 1960

<i>Department or Agency</i>	<i>Number of Professional Employees</i>	<i>Professional Employees as a Percentage of Full-time Salaried</i>	<i>Distribution of all Professional Employees</i>
1. Fisheries Research Board.....	156	28.8	1.5
2. National Research Council.....	683	28.1	6.7
3. Agriculture.....	1,724	27.9	16.9
4. Mines and Technical Surveys.....	586	25.3	5.8
5. Defence Construction (1951) Limited.....	90	23.9	0.9
6. National Health and Welfare.....	688	23.7	6.8
7. Defence Research Board.....	590	21.2	5.8
8. Justice.....	61	19.2	0.6
9. Industrial Development Bank.....	49	18.9	0.5
10. Atomic Energy of Canada Limited.....	478	18.2	4.7
11. Northern Affairs and National Resources.....	367	18.1	3.6
12. Veterans Affairs.....	2,057	17.9	20.2
13. Secretary of State.....	107	15.0	1.1
14. Dominion Bureau of Statistics.....	188	11.1	1.8
15. Board of Transport Commissioners.....	16	10.5	0.2
Total, Above Departments and Agencies.....	7,840	—	77.1
All Other Departments and Agencies..	2,325	—	22.9
<i>Total, Public Service.....</i>	<i>10,165</i>	<i>6.7</i>	<i>100.0</i>

*Includes Civil Service and Crown corporation employees only.

NOTE: Detailed data appear in Statistical Appendices B-1 and 2.

and Technical Surveys, the Fisheries Research Board, National Research Council, and the Defence Research Board. A minority have, like the Post Office, recruited almost exclusively at relatively low levels, promoting up through the ranks to senior positions. With larger and more complex operations, such departments may find themselves short of required types of high-calibre manpower.

Changing Occupational Composition of the Public Service

9 One of the most significant personnel developments in recent decades has been the great quantitative and qualitative occupational changes taking place in the labour forces of both the public service and non-public institutions. Although these changes

have been going on for many years, the pace has recently quickened. The gradual and cumulative nature of these changes has tended to obscure the significance of their impact. Historical data on the occupational mix of the public service is scanty, but bits of information pieced together from several sources do provide some insight into the consequences of certain major trends.

10 The most important occupational change has been the increase in employment of highly trained persons, particularly in the professional, technical and administrative groups. In 1914 the work of the public service was mainly administrative and was performed by large numbers of clerks, a proportionate number of clerical supervisors, and a small number of senior administrators. By 1930, a significant number of professional and technical persons had been engaged, but they still formed a very small proportion of the service. Since then, these groups have increased substantially, both in number and as a proportion of the service. Since 1930, a three-fold increase in public service employment has been accompanied by a four-fold increase in the number of professional employees. There have been even greater relative increases in the number of administrative and technical officers. For example, the number of technical officers, the group with the most rapid rate of growth, between 1950 and 1960, has risen by nearly 60%.

11 To some extent these statistics understate the situation. As already indicated, there has been an important increase in recent years in the contracting out of many professional services. Then, too, many professional and technical positions are unfilled, while still others have been filled by employees with lower classifications. Finally, one should not forget the valuable pool of professional manpower provided by the annual summer employment of university students. In 1960, over 1,200 were employed under the University Summer Employment Programme.

12 Qualitative changes in the nature of many jobs within each of the broad occupational groupings have probably been even more far-reaching in their impact than the quantitative shifts just noted. Many categories of work, if not eliminated, have undergone substantial change. Levels of skill and of basic education demanded of workers within all groups have been rising. For example, many professional occupations now require post-graduate university education and specialized training. In the clerical field, too, new occupations are springing up, and skill requirements are changing as new mechanical and electronic equipment and new techniques are applied to office operations. As a result, the relative proportion of *general* clerical occupations in the office has fallen, while the proportion encompassing machine operators and office technicians has risen.

13 Rapid extension of more advanced electronic data processing to large clerical operations in the public service will further accentuate these trends. Many of the new jobs created are for technicians, the counterpart of the growing number of technicians in the field of production. Similar qualitative changes are beginning to affect skilled craftsmen in the public service. Along with rising requirements for skill and specialized training, many craftsmen now need broader understanding of their specific field. For example, many electricians now also need a general understanding of electronics in order to service the growing volume of electronic equipment. These representative examples give some indication of the changing nature of many occupations in the public service.

14 These changes in the occupational mix and in skill requirements within the public service parallel those which have been proceeding at a quickening pace in the economy generally. The more highly trained managerial, professional and technical groups have been growing at more than double the rate of the clerical groups. The proportion of

manual workers (particularly unskilled and semi-skilled) has dropped sharply. During the 1950's professional, technical, and all office employees increased from about 31% of the total Canadian labour force to 40%. Similarly, in the United Kingdom civil service there has been more than a six-fold increase since 1939 in the number of the professional, scientific and technical classes.

HIGHER EDUCATION IN THE PUBLIC SERVICE

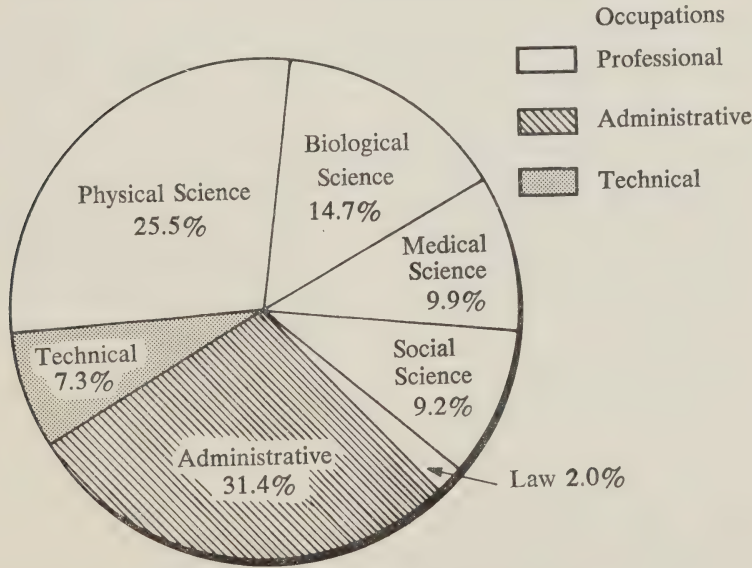
15 The large number of public servants holding university degrees further reflects the trend to greater use of higher talent manpower in the public service. Statistical material summarizing these educational characteristics is presented in Chart 5 and Tables 9 and 10. Certain broad generalizations can be derived from these data.

NUMBER AND PROPORTION OF UNIVERSITY DEGREES. As of September, 1960, approximately

13,000 public servants, or 7% of the total public service, held university degrees (Table 9). This figure is based on a survey conducted by the Pay Research Bureau of the Civil Service Commission of 20,000 civil servants employed in classes for which university graduation was considered to be either a mandatory or a significant qualification. An unknown number of civil servants in other classes are also university graduates. For this reason, the 7% figure understates the proportion holding degrees. The greatest relative concentration of graduates (over one-quarter) is found in the departmental corporations and statutory boards, reflecting the employment needs of the National Research Council, Defence Research Board and Fisheries Research Board which are included in this category.

MANY EMPLOYEES WITH POST-GRADUATE DEGREES. Particularly significant is the large number of graduates in the public service

Chart 5—DISTRIBUTION OF CIVIL SERVICE EMPLOYEES HOLDING UNIVERSITY DEGREES BY AREA OF OCCUPATIONAL SPECIALIZATION—SEPTEMBER, 1960



TOTAL—9,485 Employees Holding University Degrees

Table 9—EDUCATIONAL CHARACTERISTICS OF FULL-TIME PUBLIC SERVICE EMPLOYEES—SHOWING LEVEL OF UNIVERSITY DEGREES—SEPTEMBER, 1960

	University Degrees				Employees Holding University Degrees as a Percentage of all Full-time Employees
	Bachelor's	Master's	Doctor's	Total	
1. Civil Service.....	6,633	1,886	966	9,485	7.3
2. Employees not under the Civil Service Act					
(a) In Departments (Salaried).....	427	82	17	526	3.2
(b) In Crown Corporations					
(i) Agency Corporations.....	609	91	113	813	8.5
(ii) Proprietary Corporations....	288	18	6	312	9.3
(iii) Other Crown Corporations..	89	26	1	116	12.0
(iv) Departmental Corporations and Statutory Boards.....	808	407	581	1,796	27.6
Total—All Crown Corporations.....	1,794	542	701	3,037	14.9
3. Total.....	8,854	2,510	1,684	13,048	7.0

NOTE: Detailed data on level of university degrees held in the Civil Service by departments are set out in Statistical Appendix C.

with advanced degrees. Of the total of approximately 13,000 holding university degrees, over 2,500 are at the Master's level and nearly 1,720 are at the Ph.D. level. Particularly heavy concentrations of graduates with the Ph.D. degree are found in the Department of Agriculture (432), National Research Council (325), Department of Mines and Technical Surveys (198), Defence Research Board (178), and Atomic Energy of Canada Limited (110).

VARYING PROPORTION OF UNIVERSITY GRADUATES IN DEPARTMENTS. The proportion of university graduates varies from department to department, largely reflecting the different occupational composition of departments.

For example, in the regular departments they range from 23.1% of the labour force in the Department of Agriculture to 0.1% in the Post Office; in the Crown corporations and agencies, from over 35% in agencies like the Fisheries Research Board to almost zero in others.

AREA OF OCCUPATIONAL SPECIALIZATION. Of the 9,485 employees with university degrees in the civil service proper, 31% are in administrative occupational classifications, 7% in the technical officer series, and 61% in the professional category (Table 10 and Chart 5). These professionals are distributed, by category of degree, as follows: physical sciences (25%), biological sciences (15%), medical

science (10%), law (2%), and social sciences and other (9%).

ENTRANCE ROUTE TO SENIOR POSITIONS. The statistical data indicate that entrance to senior level positions in the public service depends increasingly on high educational qualifications. It is becoming more and more difficult for employees without degrees in lower level jobs to be promoted to senior positions. In class grades with maximum salary rates of \$15,000 and above, 80% hold university degrees and the younger they are the more likely they are to have one (Table 11). In the grades immediately below, those with rates of \$12,500 and \$13,500, 71% are university graduates, and here too the younger they are the more likely they are to have a degree (Table 12). This reflects the changing way in which individuals are now prepared for high level work. At one time such skills were largely acquired through a form of "apprenticeship" on the job. Today, the majority prepare themselves initially for these occupations through a university education.

STRONG BIAS IN FAVOUR OF SPECIALIZED DEGREES. The evidence would seem to suggest the strong bias in the service in favour of the candidate who can demonstrate the immediate practical value of his university education. The whole system is heavily weighted to give preference to the person who can demonstrate competence for a *particular* job. The classification system atomizes each position and stresses the particular competence required to perform a specific set of duties. Recruitment and promotion place the emphasis upon "special qualifications and aptitude".

OTHER CHARACTERISTICS OF MANPOWER IN THE PUBLIC SERVICE

16 Serious gaps in the available manpower data make it difficult to analyze other important characteristics of manpower in the public service. For example, not much data

are readily available about such characteristics as length of service, absenteeism, accidents, illness, other skills, and linguistic ability. In other areas the data are incomplete in many respects. For example, the age of employees in the service is not broken down in a meaningful fashion by occupation or by sex. Consequently, it is possible only to outline characteristics for which some data are available.

Age Distribution

17 The age composition of the public service varies from group to group. Median ages are: civil service—41.1 years; "salaried exempt"—35.7; Crown corporations—40.5; and prevailing rate employees—44.2. Females as a group in the civil service are relatively younger than males. The median age of males is 42 years, of females 37.8 years.

18 Imbalance in the age structure of the civil service reflects unevenness in recruiting over the years. Very few employees were recruited during the period 1932 to 1938, while there was a rapid expansion in employment during World War II and the immediate post-war years. An unbalanced age structure poses personnel management difficulties because of the subsequent bunching of retirements and the resulting replacement problem. More balanced age groupings should be the objective, so that larger numbers in the younger age groups will provide for normal turnover and for an adequate pool for future promotions to more senior positions.

19 The existing significant variations in the age distribution pattern within departments and agencies reflect the different ages of the departments themselves, their occupational composition, and their varying staffing policies and practices. Among regular departments, the median age ranges from 46.5 years in Public Works and 44.7 in Veterans Affairs to 36 years in Mines and Technical Surveys,

Table 10—EDUCATIONAL CHARACTERISTICS OF CIVIL SERVICE EMPLOYEES—SHOWING UNIVERSITY DEGREES BY AREA OF SPECIALIZATION AND OCCUPATIONAL GROUP—SEPTEMBER, 1960

	University Degrees Held				Percentage Distribution			
	Bachelor's	Master's	Doctor's	Total	Bachelor's	Master's	Doctor's	Total
1. Professional								
(a) <i>Physical Science</i>								
Engineering.....	1,084	94	13	1,191	16.3	5.0	1.4	12.6
Other.....	690	300	238	1,228	10.4	15.9	24.6	12.9
Total.....	1,774	394	251	2,419	26.7	20.9	26.0	25.5
(b) <i>Biological Science</i>	442	459	492	1,393	6.7	24.3	50.9	14.7
(c) <i>Medical Science and Nursing</i>								
Medical Officers.....	478	—	—	478	7.2	—	—	5.1
Nursing.....	19	1	—	20	0.3	—	—	0.2
Veterinarians.....	435	1	2	438	6.5	—	0.2	4.6
Total.....	932	2	2	936	14.0	—	0.2	9.9
(d) <i>Law</i>	157	19	5	181	2.4	1.0	0.5	1.9
(e) <i>Social Sciences and Others</i>								
Education.....	26	57	56	139	0.4	3.0	5.9	1.5
Dietitians, Nutritionists and Home Economists.....	92	3	—	95	1.4	0.2	—	1.0
Social Workers.....	34	35	—	69	0.5	1.9	—	0.7
Librarians.....	92	19	4	115	1.4	1.0	0.4	1.2
Economists and Statisticians.....	241	142	35	418	3.6	7.6	3.6	4.4
Other.....	16	26	9	51	0.3	1.4	0.9	0.5
Total.....	501	282	104	887	7.6	15.1	10.8	9.3
Total, Professional Group	3,806	1,156	854	5,816	57.4	61.3	88.4	61.3

Table 11—PERCENTAGE DISTRIBUTION OF CIVIL SERVICE EMPLOYEES IN CLASS GRADES WITH MAXIMUM SALARY RATES OF \$15,000 AND ABOVE, MEDICAL CLASSES EXCLUDED, FOR EACH AGE GROUP BY LEVEL OF HIGHER EDUCATION—SEPTEMBER 30, 1960

Age Group	Highest Level of University Degree Held			Total, Univ. Grads.	Other	Total
	Bachelor	Master	Doctor			
30-34.....	77.8	22.2	—	100.0	—	100.0
35-39.....	76.5	17.6	5.9	100.0	—	100.0
40-44.....	51.6	32.3	3.2	87.1	12.9	100.0
45-49.....	37.5	34.7	13.9	86.1	13.9	100.0
50-54.....	43.7	16.7	14.6	75.0	25.0	100.0
55-59.....	47.0	18.4	12.2	77.6	22.4	100.0
60-64.....	24.4	17.1	19.5	61.0	39.0	100.0
65-69.....	28.6	14.2	28.6	71.4	28.6	100.0
All Age Groups.....	43.4	23.7	12.8	79.9	20.1	100.0

Table 12—PERCENTAGE DISTRIBUTION OF CIVIL SERVICE EMPLOYEES IN CLASS GROUP B (CLASS GRADES WITH MAXIMUM SALARY RATES OF \$12,500 AND \$13,500), MEDICAL CLASSES EXCLUDED, FOR EACH AGE GROUP BY LEVEL OF HIGHER EDUCATION—SEPTEMBER 30, 1960

Age Group	Highest Level of University Degree Held			Total, Univ. Grads.	Other	Total
	Bachelor	Master	Doctor			
30-34.....	25.0	25.0	37.5	87.5	12.5	100.0
35-39.....	47.4	14.0	28.1	89.5	10.5	100.0
40-44.....	44.6	18.2	21.5	84.3	15.7	100.0
45-49.....	38.2	14.0	14.0	66.2	33.8	100.0
50-54.....	39.7	10.7	15.7	66.1	33.9	100.0
55-59.....	31.0	16.0	16.0	63.0	37.0	100.0
60-64.....	40.5	6.8	17.6	64.9	35.1	100.0
65-69.....	33.3	20.0	6.7	60.0	40.0	100.0
All Age Groups.....	39.4	13.9	17.9	71.2	28.8	100.0

36.8 in External Affairs and 37.3 in Northern Affairs.

20 There are like variations in the age distribution patterns within Crown corporations.

21 Within departments there are wide variations in the pattern of age distribution of

senior personnel (Table 13). Among senior officials, approximately 30% are in the group aged 55 years and over. In intermediate positions nearly as many fall into the same age bracket. This forecasts problems in replacing senior personnel in the decade ahead and suggests a need for immediate action to spread actual and potential talents for senior administration posts more evenly throughout

the public service. Planned transfer of personnel across departmental lines is an obvious route to this end.

22 Evidence suggests that there has been an increase in the average age of personnel recruited to the civil service during recent years. Older entrants can make a valuable contribution to the service, when they bring with them experience, knowledge, and judgment for which the service has a need. In too large numbers they do, however, pose personnel management problems of special kinds.

Distribution of Employees by Salary Groups

23 Since compensation in the public service is dealt with in detail elsewhere in this report, only generalizations are presented here on the distribution of employees by salary groups (Table 14 and Chart 6).

24 Median salaries for the major employee groups in the public service follow:

Civil service.....	\$4,038
Agency corporations.....	\$3,955
Proprietary corporations.....	\$3,970
Other Crown corporations.....	\$3,367
Departmental corporations and statutory boards.....	\$4,965
"Salaried exempt".....	\$4,095
Prevailing rate employees.....	\$3,906

The relatively high median of \$4,965 in the departmental corporations and statutory boards reflects the large proportion of professional manpower, particularly in scientific research, concentrated in the agencies classified in this category. On the other hand, the relatively low median of \$3,422 in "other Crown corporations" is accounted for by the heavy concentration of clerical personnel in these agencies.

25 One-half of all civil servants earn less than \$4,000 per year and only 3.2% earn \$8,000 and over. The proportion of employees earning \$8,000 and over is higher in the various Crown corporations than in the civil service. Forty-two employees in the "prevailing rate" group earn more than \$10,000 per year. As of September 1960, no employee in the civil service (this does not include deputy ministers) earned over \$20,000 per year, while 40 persons in the Crown corporations earned \$24,000 or over.

Published in 1962

26 The median salary for all female employees in the civil service is \$3,221 as compared to \$4,553 for male workers, a pattern common to the public service as a whole. Approximately 80% of all females in the service earned under \$4,000, reflecting the heavy

Chart 6—DISTRIBUTION OF PUBLIC SERVICE EMPLOYEES BY SALARY GROUPS—SEPTEMBER, 1960

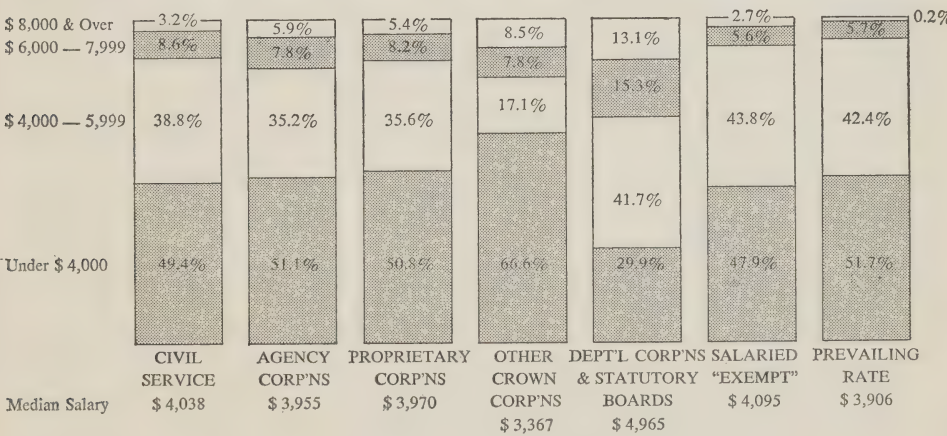


Table 13—DISTRIBUTION OF CIVIL SERVICE EMPLOYEES IN CLASS GROUP A (CLASS GRADES WITH MAXIMUM SALARY RATES OF \$15,000 AND ABOVE) BY DEPARTMENT AND FIVE-YEAR AGE GROUP—
SEPTEMBER 30, 1960

<i>Department or Agency</i>	<i>Age Groups</i>								<i>Total</i>
	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	
	Number of Employees								
Agriculture.....	—	—	—	3	1	2	2	3	11
Citizenship and Immigration.....	—	—	1	—	—	—	3	—	4
Civil Service Commission.....	—	—	2	3	1	—	—	—	6
Defence Production.....	—	2	3	4	4	1	1	—	15
External Affairs.....	—	—	6	19	6	11	9	2	53
Finance.....	—	2	4	4	4	2	—	—	16
Comptroller of the Treasury.....	—	—	—	—	2	1	—	—	3
Fisheries.....	—	—	1	2	—	2	—	—	5
Insurance.....	—	—	2	—	1	—	—	—	3
Justice.....	8	6	3	4	1	—	—	—	22
Labour.....	—	1	—	1	2	—	—	—	4
Unemployment Insurance Commission.....	—	—	1	—	1	2	—	—	4
Mines and Technical Surveys.....	—	—	—	3	2	—	2	—	7
National Defence.....	—	—	—	3	1	3	2	—	9
National Health and Welfare.....	—	3	4	8	10	2	5	1	33
National Revenue—Customs and Excise.....	—	—	—	2	2	1	1	—	6
National Revenue—Taxation Division.....	—	—	1	4	3	3	1	—	12
Northern Affairs and National Resources.....	—	2	—	1	—	4	1	—	8
Post Office.....	—	—	1	1	2	1	2	—	7
Privy Council.....	—	—	2	1	—	1	1	—	5
Public Works.....	—	—	—	2	3	3	—	—	8
Secretary of State.....	—	—	1	—	1	—	1	—	3
Trade and Commerce.....	—	2	3	2	3	8	3	—	21
Dominion Bureau of Statistics.....	—	—	—	2	1	—	1	—	4
Transport.....	—	1	—	7	1	1	4	1	15
Board of Transport Commissioners..	—	—	—	3	—	1	1	—	5
Veterans Affairs.....	1	5	6	12	17	11	9	2	63
Other Departments with Less than Three Employees.....	1	1	—	—	1	1	3	—	7
Total, All Departments.....	10	25	41	91	70	61	52	9	359

Table 14 — DISTRIBUTION OF PUBLIC SERVICE EMPLOYEES BY SALARY GROUPS — FULL-TIME EMPLOYEES ONLY — SEPTEMBER, 1960

Salary Groups	Civil Service			Crown Corporations			Salaried Employees Excluded from the Civil Service Act			Prevailing Rate Employees		
	Male	Fe- male	Total	Per- centage Dis- tribu- tion	Male	Fe- male	Total	Per- centage Dis- tribu- tion	Male	Fe- male	Total	Per- centage Dis- tribu- tion
Under \$2,000	455	516	971	0.7	36	140	176	0.8	1,290	2,170	3,460	16.4
\$2,000- 3,999	34,382	28,969	63,351	48.7	5,715	3,258	8,973	44.0	5,767	1,680	7,447	35.3
\$4,000- 5,999	44,299	6,439	50,738	38.8	6,632	785	7,417	36.0	8,886	73	8,959	42.4
\$6,000- 7,999	10,746	425	11,171	8.6	1,997	90	2,087	10.2	1,207	—	1,207	5.7
\$8,000- 9,999	2,411	34	2,445	1.8	763	9	772	4.8	—	—	—	—
\$10,000- 11,999	898	14	912	0.7	468	7	475	2.3	42	—	42*	0.2
\$12,000- 13,999	623	6	629	0.5	259	2	261	1.2	—	—	—	—
\$14,000- 15,999	254	1	255	0.2	95	—	95	0.4	—	—	—	—
\$16,000- 17,999	70	—	70	—	44	—	44	0.2	—	—	—	—
\$18,000- 19,999	18	—	18	—	9	—	9	0.1	—	—	—	—
\$20,000- 21,999	—	—	—	—	9	—	9	0.1	—	—	—	—
\$22,000- 23,999	—	—	—	—	3	—	3	—	—	—	—	—
\$24,000 and Over	—	—	—	—	3	—	3	—	—	—	—	—
Total	94,156	36,404	130,560	100.0	16,033	4,291	20,324	100.0	13,191	3,075	16,266 ¹	100.0
Median Salary	\$4,553	3,221	4,038		\$4,683	3,231	4,273		\$4,292	3,339	4,095	
									\$4,358	Under \$2,000	3,906	

*\$10,000 and over.

¹Excludes 37 males and 34 females in overseas service, Department of National Defence, for whom salary data are not available.

concentration of female employees in clerical occupations.

War Veterans in the Public Service

27 Approximately 40% of all civil servants are war veterans. In the United States, veterans comprise about 50% of the Service (1958).

28 In the Canadian civil service the proportion of employees who are war veterans varies from about 50% in the Departments of Veterans Affairs, National Revenue (Customs and Excise), and Citizenship and Immigration to 4% in the R.C.M.P. (civil service only), 16% in the Dominion Bureau of Statistics and National Revenue (Taxation), and 19% in Penitentiaries. (These data relate to all employees who had service in either or both World Wars, but not necessarily appointed under the War Service Preference).

29 In the Crown corporations, this proportion again varies from almost 50% in the St. Lawrence Seaway Authority, 39% in the Export Credits Insurance Corporation and 36% in the Atomic Energy of Canada Ltd., to 5% in the Canadian Wheat Board, 7% in the Canadian Commercial Corporation and 10% in the C.B.C., Bank of Canada and Fisheries Research Board.

30 The number of War Service Preference appointments has dropped from 59.1% of all new appointments in 1946 to 10.3% in 1960 (Table 15). Among departments the proportion of new appointments based on War Service Preference has varied greatly over the years. It has tended to be highest in departments employing a large number of relatively unskilled or semi-skilled workers. In appointments to such positions, War Service Preference is often a deciding factor. The heaviest concentrations have been in the Department of Veterans Affairs, Department of National Defence, Post Office and Unemployment Insurance Commission. War Service Preference

has probably resulted in greater employment of males in clerical jobs which are normally assigned to females.

Labour Turnover

31 A continuous check on labour turnover constitutes one of the most valuable methods of testing the adequacy of personnel policies and practices. Unfortunately, important gaps in the available data prohibit an intensive study of turnover in the public service.

32 A substantial number leave the public service voluntarily. A total of 9,730 civil servants were reported as having done so in 1960. There is, too, a steady stream of deaths, disablements and retirements which in 1960 amounted to 8,999 persons.

33 The annual estimated turnover rate in the civil service, as calculated, has dropped from 16.1% in 1953 to 10.5% in 1960. This decline, particularly during the past three years, reflects a decline in the number of job opportunities available in the private sector of the economy and an increase in public service salaries. Although comparable data is not available, turnover rates for the service appear generally lower than those in private industry.

34 As would be expected, the significant turnover rates are in those occupations requiring special training and experience which are in high demand outside the service; for example, engineers and physical scientists, younger assessors and lawyers, who often leave to enter business for themselves or to join consulting firms. The other large area of turnover is among single women leaving for marriage or married women leaving because of pregnancy. There does not appear to be excessive loss of skilled personnel, apart from the areas noted above. A more serious problem today seems to be the difficulty of the public service in recruiting enough high-calibre personnel.

Table 15—CIVIL SERVICE APPOINTEES RECEIVING WAR SERVICE PREFERENCE AS A PERCENTAGE OF ALL NEW APPOINTMENTS, FOR SELECTED YEARS

Department	1960		1955		1946	
	Number Receiving War Service Preference	Per- centage of Total Appoint- ments	Number Receiving War Service Preference	Per- centage of Total Appoint- ments	Number Receiving War Service Preference	Per- centage of Total Appoint- ments
Agriculture.....	44	4.4	79	8.2	446	33.7
Air Transport Board.....	—	—	1	33.3	11	45.8
Auditor General's Office.....	1	8.3	—	—	14	37.8
Board of Broadcast Governors....	—	—	—	—	—	—
Board of Transport Commissioners.....	—	—	—	—	5	33.3
Canadian Maritime Commission..	—	—	—	—	—	—
Chief Electoral Officer.....	4	21.1	—	—	—	—
Citizenship and Immigration.....	28	7.0	71	19.8	—	—
Civil Service Commission.....	—	—	4	3.4	145	34.4
Defence Production.....	11	6.8	20	9.7	—	—
Dominion Coal Board.....	—	—	—	—	—	—
External Affairs.....	18	10.5	9	5.7	133	44.0
Finance.....	13	1.9	22	3.2	2,621	60.1
Fisheries.....	16	9.8	33	22.4	28	50.9
Governor General's Office.....	—	—	—	—	—	—
House of Commons.....	3	21.4	—	—	2	100.0
Insurance.....	—	—	—	—	7	35.0
International Joint Commission..	—	—	—	—	—	—
Justice.....	2	2.4	3	6.8	20	42.6
Labour.....	1	1.2	9	11.4	107	26.9
Mines and Technical Surveys.....	12	1.5	26	4.0	—	—
National Defence.....	487	11.7	1,178	16.3	5,446	52.3
National Energy Board.....	1	8.3	—	—	—	—
National Gallery.....	6	26.1	—	—	—	—
National Health and Welfare.....	24	4.9	43	8.6	435	51.7
National Library.....	—	—	—	—	—	—
National Revenue (Customs and Excise).....	70	10.9	135	17.6	863	80.0
National Revenue (Taxation Division).....	19	1.4	44	2.0		
Northern Affairs and National Resources.....	28	4.5	36	10.3	—	—
Office of the Commissioner of Penitentiaries.....	—	—	—	—	—	—
Post Office.....	409	16.2	551	16.4	4,017	79.5
Postmaster.....	9	6.8	29	35.8	59	48.0
Privy Council.....	6	26.1	—	—	1	6.3
Public Archives.....	1	4.8	2	28.6	4	20.0
Public Printing and Stationery.....	6	4.3	28	13.9	94	61.8
Public Works.....	210	25.8	329	38.8	618	61.7
Royal Canadian Mint.....	—	—	—	—	—	—
Royal Canadian Mounted Police	—	—	3	1.6	28	19.9
Secretary of State.....	1	1.2	3	3.0	27	21.6
Senate.....	1	20.0	—	—	—	—
Tariff Board.....	—	—	—	—	—	—
Trade and Commerce.....	40	7.5	58	12.3	571	39.8
Transport.....	241	14.9	208	18.3	847	44.3
Unemployment Insurance Commission.....	71	6.5	116	8.4	2,782	52.4
Veterans Affairs.....	286	15.8	314	20.5	9,817	66.4
Totals.....	2,069	10.3	3,354	14.0	29,148	59.1

35 In some departments and occupations, lack of adequate turnover rather than excessive mobility may be a problem. The high value placed on stability and security may be detrimental in some cases to genuine effectiveness. In the scientific and research fields, for instance, there is value in turnover which brings in new ideas and approaches. The advantages may more than compensate for the cost of turnover. A balance between a stagnant public service and one with excessive turnover rates seems to be what is called for, with the desirable balance varying between occupations.

*French-speaking Employees
in the Public Service*

36 The proportion of employees with the ability to speak French fluently varies widely

in the public service by geographic location, type of engagement, and individual department and corporation. Based on limited reports, the proportion in the civil service varies among departments from almost 40% to 18%, with several departments recording proportions from 20% to 25%. In the broadly defined administrative occupations, the proportions reported are lower and vary from 28% to 2%. In the "salaried exempt" group, the proportion varies from 100% to very low percentages. In the prevailing rate group, relatively large proportions of French-speaking employees — up to two-thirds — were reported in some departments, ranging down to a small fraction in other departments. Similar wide variations in the proportion of French-speaking employees are found in the various Crown corporations.

3

GOVERNMENT MANPOWER STATISTICS

1 Given the size and complexity of present day government, a clear picture of the human resources of the public service is a necessary foundation for efficient personnel management. Examination of available data, however, reveals that the means for providing information on manpower in the public service are inadequate for the needs of day-to-day personnel management, formulation of personnel policies, manpower planning and research, and control and co-ordination of manpower. Your Commissioners' assessment of the present state of manpower data in the public service points up the urgent need for the more systematic compilation and use of such data.

ASSESSMENT

2 A number of fundamental difficulties have given rise to the inadequacies of manpower data. In most central agencies and departments the value of manpower statistics and analysis as an aid to efficient personnel management has not been fully appreciated. While this is a matter of only recent concern in the private sector of the economy, never-

theless, in view of the size and complexity of the government organization, it is surprising that this need has not been recognized in the public service.

3 A major deficiency has been the lack of a central agency charged with responsibility for the compilation of basic manpower data. Up to the present, the Civil Service Commission has not concerned itself with manpower statistics on any comprehensive or consistent basis. Data on numbers and some characteristics of civil servants can be obtained from the Dominion Bureau of Statistics, which has examined some aspects of these matters since 1952. Data on other phases of the operations of the Civil Service Commission, such as recruitment, turnover, new appointments and so on, are not compiled in any meaningful way. While numerous forms find their way to the Civil Service Commission, there has been little or no appreciation of the value of the statistical information they contain as a tool of analysis for personnel management. For example, no record has yet been kept of the number of appointees in a given year with university degrees.

4 Other information concerning the make-up of the civil service has had to be collected by your Commissioners from a variety of sources. Extensive and valuable information has been derived from studies prepared recently by the Pay Research Bureau. Statistics relative to labour costs and other items of government expenditure have been collected through the Comptroller of the Treasury.

5 As a result, the varying concepts and standards which exist confuse the picture on manpower statistics for the public service. There is little consistency in historical data even within individual departments. These circumstances make it virtually impossible to add together data from different departments in order to obtain a comprehensive picture. Such a global view is extremely important when one is considering government as a whole rather than specific departments.

6 Where statistics are available in a department, they reveal that many significant characteristics of public servants are often not recorded and assessed. For example, it was difficult to obtain data concerning previous experience of individuals in other jobs and other departments. Little is recorded concerning special skills not at present in use. Similarly, knowledge of linguistic ability is also generally lacking. Equally important, meaningful operational statistics dealing with such matters as turnover ratios for different classes of personnel, absenteeism, and manpower trends and patterns are not available.

7 The public service has not made optimum use of modern electronic data processing to handle and analyze existing manpower data. For example, to obtain data about a particular characteristic of manpower many departments must hand-sort individual personnel record files. Consequently, the extraction of valuable information is difficult, slow and costly. Even where departments have kept employee data on punched cards, these often are not processed and analyzed on a regular

and continuing basis. This reflects a lack of appreciation of the value of maintaining data in order to identify trends.

8 In summary, it is not only difficult to obtain a clear picture of manpower trends, patterns and characteristics in particular departments but also almost impossible to obtain such data for the public service as a whole. These deficiencies are a serious barrier to governmental efficiency in personnel management.

PUBLISHED STATISTICS

9 For a number of reasons data on government employment published by the Dominion Bureau of Statistics do little to compensate for the lack of proper statistical tools for personnel management in the public service. Decennial census data dealing with government employment are inadequate. The questions asked from census to census have not been consistent and the content of the figures has varied widely. The distinction between an occupational and an industrial classification has not been clearly made. There is no one place in the census data where all employees of the federal government can be found. Likewise, the Dominion Bureau of Statistics series, "Federal Government Employment", while providing since 1952 a clearer picture of total employment figures, suffers from lack of an appropriate conceptual framework. Definitions are imprecise and inconsistent. There are certain gaps in its coverage and not all the significant manpower characteristics are recorded.

NEED FOR MANPOWER DATA AND ANALYSIS

10 Good government administration can be achieved only by effective utilization of manpower. Thus the quality, number and kinds of people serving government determine how high its performance quotient will be. Little can be done to improve personnel management without a keen awareness of what has

happened, what is currently taking place and what is likely to happen to manpower in the future. Thus a first and most crucial step in any programme designed to solve personnel problems must be manpower fact-finding and research. Unless facts are available, it is difficult to approach personnel management on a realistic basis.

11 The growing size of the public service and the complexity of government operations in themselves emphasize the increasing need for manpower data and its careful analysis. The rapid rate of innovation and occupational change currently taking place reinforces this conclusion. Fortunately, it is now feasible to maintain data on a continuing and up-to-date basis. Advances in electronic data processing permit extensive detail on manpower and its characteristics to be maintained for large groups of employees.

12 Manpower data and analysis are personnel management tools for:

- day-to-day administration
- policy formulation
- research and planning
- co-ordination and control.

Day-to-Day Personnel Administration

13 Day-to-day handling of employees in large-scale, complex institutions can no longer be met by rule-of-thumb administration. There is an increasing need for a background of facts for careful analysis at the first stage in the decision-making process. Indeed, to achieve efficient utilization of personnel in terms of promotion, transfers, training and development, these data are vital. Similarly, without manpower statistics it is virtually impossible to assess employee efficiency among occupational groups and departments, and to relate it to the private sector of the economy. Perhaps most important of all is the reduction by statistical manipulation of large masses of information to significant operational ratios, dealing with such items as turn-

over, numbers and types of grievances, accident frequency, staffing ratios and so on. Correlation of this information makes possible the evaluation of areas and groups quickly and accurately. It permits those concerned to answer criticisms, evaluate activities, locate managerial and operational weak spots and determine the optimum operating conditions.

Formulation of Personnel Policy

14 Knowledge of manpower patterns and trends is important in shaping appropriate personnel policies. Policy makers must be aware of the direction of manpower trends in order to develop personnel policies compatible with them. For example, a clear picture of the age and service composition of different occupational groups is essential for the actuarial planning of pensions and other benefits. An inventory of skills, age and service in various departments is needed to develop appropriate policies for training and development, transfer and recruitment, to insure adequate staffing of government operations. It is also important to know the broad occupational groups and types of occupations within them so that policies can be drawn up to reflect the skills and needs of the employees involved as well as to keep the public service competitive in the labour markets concerned.

Research and Planning

15 Clearly, in a complex, modern civilization, research and planning are vital in all areas. As implied earlier, facts alone without research and analysis are useless. To date very little research into government personnel problems has been undertaken. An obvious and urgent need for research is linked to the necessity for forward manpower planning in the public service. In a time of rapid technological change, future needs must be foreseen and appraised. Government must examine those presently employed in the public service to assess their skills and to gauge

the numbers of personnel currently or readily available. The resources available can then be compared with the government's future manpower requirements. Appropriate guidelines for transfers, training and development, recruitment, and other policies can be developed to staff the government in the most effective and economical manner.

Co-ordination and Control

16 Manpower data are essential also for both central co-ordination and departmental control of personnel activities. Such data are indispensable in making personnel audits, analyzing labour costs and efficiency, and in providing general guides for assessing the effectiveness with which different departments, sections and occupational groups are meeting their goals and objectives. Evaluation of the effectiveness with which government uses its manpower, particularly the talents in short supply, is another task made possible by proper statistical data.

17 With adequate manpower statistics useful rough measures of productivity in the

public service can be developed. Over-all output of major sections of departments could be related to input, expressed either in terms of manpower, or manpower and other resources. For specific occupational groups, efficiency could be measured by comparing employees in one department with those in another, and with those in the private sector of the economy.

18 Manpower statistics and analysis should also aid in creating an efficient unified public service. Group operations would be more comprehensible both to those directly involved and to outsiders. The study of organizational structures, management practices, and human relations problems would be assisted. Objectives would be communicated more succinctly to employees. At the same time unified planning would be improved and the development of long-range policies made more realistic. Indeed, the allocation of scarce resources to a relatively limitless series of programmes could be done on a more rational basis, while facilitating more intelligent budgeting.

4

AUTHORITY AND RESPONSIBILITY FOR PERSONNEL MANAGEMENT

① The study of personnel management in the federal public service has revealed a variety of problems, particularly in such matters as establishments, classification and recruitment, compensation, selection and appointment, promotions and transfers, training and development, grievances and appeals and the role of supervisor. The underlying cause of these problems, identified at an early stage of the field investigations, appears to be the lack of authority and responsibility for personnel management in departments and agencies.

② An effective system of authority, responsibility and accountability is basic to the efficiency of any organization. The importance of such a system becomes increasingly critical as an organization grows. If a manager, at any level, is to manage effectively and is to be held accountable for the efficiency of his operation, he must have appropriate authority for making decisions on personnel matters. These decisions have a direct bearing on morale and productivity.

③ In general, departmental management has

not been effective in personnel management because it has been denied full authority and responsibility for making personnel decisions. This restriction of authority began when the public service was much smaller. Today the basic problem of lack of departmental authority is aggravated by the increased size of the service. The public service itself has recognized the problem to a degree, and there is some evidence of this recognition reflected in the new Civil Service Act. However, the new Act does not provide basic solutions to the problem in departments and agencies.

4 An understanding of the present structure of authority and responsibility is facilitated by a review of the respective roles of the Civil Service Commission, the Treasury Board, and the departments and agencies (including those exempt from the provisions of the Civil Service Act), by a description of the control processes as reflected in the establishment review procedures and the climate in which it is conducted, and by some observations on the present handling of the personnel function in departments.

THE PRESENT STRUCTURE

The Civil Service Commission

5 The primary functions of the Civil Service Commission as a central control agency were established by the Civil Service Act of 1918 and reaffirmed by the new Act of 1961. The primary purpose was and still is to protect the main sectors of the public service from the "malign influence of patronage" and to achieve a career service based on competence and merit. The Commission provides an annual statement to Parliament, whose agent it is.

6 The Commission's jurisdiction covers all personnel coming under the Civil Service Act. Its authority extends over most aspects of personnel management, including: recruitment, competitions, selection, appointment, promotions, transfers, classifications, pay research, salary structure, appeals, and training programmes, as well as policy on hours of work and regulations governing such related matters as leave. It also shares responsibility for the determination of establishments (types and numbers of positions) and it is responsible for providing an organization and methods service. It has final authority in matters of recruitment, selection, appointment, classification and appeals. However, the Commission can and has, occasionally, delegated to departments some of its authority in these matters. The new Civil Service Act (section 39) provides that "the Commission may authorize a deputy head to exercise and perform any of the powers or functions of the Commission under this Act in relation to the selection of candidates for a position".

7 While the Commission has described its role as "the central personnel service of the Government" as well as "one of the control agencies", the concept of control rather than service predominates in its relations with departments.

The Treasury Board

8 The Treasury Board has effective final authority in matters of establishments and compensation and allowances pertaining to departmental and agency classifications under the Civil Service Act. In addition, the Board has complete authority to determine pay for prevailing rate positions. Thus all departmental and Commission personnel programmes which have financial implications are analyzed and approved or rejected by the Board. In 1960, for example, forty-three per cent of the Committees on which the Treasury Board was represented were concerned with personnel matters; one-third of the submissions to the Board, and two-thirds of its regulations dealt with personnel. Some of the work of the Treasury Board staff duplicates the functions of the Civil Service Commission.

Departments and Agencies

9 The departments and agencies under the Civil Service Act must comply with all controls founded on statutes and regulations jointly or separately administered by the Civil Service Commission and the Treasury Board. They must submit detailed requests pertaining to each and every aspect of personnel management (if expenditure of money is involved). Thus the agencies and departments which come under the Civil Service Act have no independent authority over their personnel, although the new Act follows the previous legislation in permitting some authority to be delegated to them.

10 Much time must be spent by departmental management in requesting, expediting and negotiating decisions with the Commission and the Treasury Board. Experience teaches the managers to seek methods of short-circuiting the system of control and to bargain with the control agencies. It is reasonable to assume that some departments, knowing that requests will be bargained downward, apply for more than they need.

11 While the departments are strictly controlled, in practice there is considerable variation in the nature and extent of control over individual departments and agencies in the civil service. A few departments have managed to gain some freedom of action by convincing the control agencies of their "competence" and "trustworthiness" in personnel management.

12 The variation in control also stems from the differing personalities of the deputy ministers, some of whom insist on a measure of autonomy in personnel management. Others are content to let the control agencies make all major personnel decisions and perform necessary personnel services. The latter merely requisition the required staff, usually through their personnel officers. The Treasury Board staff has evolved working relationships with some departments and agencies which favour consideration of their views in setting establishments. However, the personnel work of most of the departments consists essentially of paperwork related to detailed requests and to compliance with exacting procedures of the two central agencies.

Crown Corporations and Agencies

13 Crown corporations and other agencies, where the Civil Service Act does not apply, do not have to comply with controls in such detail as do the departments and agencies under the Civil Service Act, and enjoy considerable latitude in personnel management. There is a wide range of effectiveness in personnel management among these agencies. Some have achieved a proper balance of authority in their organizational structures; others, which have not achieved such a balance, have set up miniature internal control agencies, operating much like the Civil Service Commission and the Treasury Board. Such systems are smaller and less complicated but nevertheless divorce line managers and supervisors from personnel management authority. A number of agencies have adopted

the Civil Service Commission classification and pay structure for certain positions without testing its adequacy to their needs.

CONTROL OF MANPOWER EXPENDITURES

14 Whereas prior to World War II the growth in the civil service of Canada was gradual, expansion of government activity and assumption of new functions in the immediate post-war period brought about a notable increase in the rate of growth of government employment. The absence of a co-ordinated control mechanism became a matter of concern when the growth rate reached a peak of 8 per cent per annum and the situation threatened to get completely out of hand. To remedy this situation an annual establishment review procedure was introduced under Treasury Board control. This procedure used as its principal yardstick the numbers employed by the individual departments and agencies. Based on trends and changes in functions, percentage growth targets were established, with the result that an immediate reduction in the rate of growth of the civil service as a whole was accomplished. As an emergency measure these techniques were effective, but they have not proved satisfactory over the longer term and have resulted in many cases in placing departmental administration in a strait-jacket.

15 The system of control presently in use involves these factors:

The Establishment: The establishment is a collection of positions in an organizational unit, each classified and coded. Positions are created on a continuing or term basis. An employee is 'in' or 'occupies' a position on an establishment when he is certified in the position.

Establishment Records: These consist of records of each position according to its code number or classification (or both). Establishment history cards show the classification and incumbent for each position, together with

the authorizing document for any change in such position. Thus the establishment history card is not a personnel record as such. In addition, establishments may be portrayed by a series of organization charts showing the relationship between established positions.

Establishment Review Procedure: An annual review of establishments is conducted by a committee, generally composed of one officer drawn from the Civil Service Commission, the Treasury Board staff and the department concerned. In practice, the Treasury Board officer is the chief examiner. The department may begin its preparation for the establishment review committee as early as fifteen months before the fiscal year in respect of which it will be used for justification of its estimates. The review committee usually meets in August and September to review the recommendations which are to take effect in the following fiscal year. Financial estimates resulting from this review are usually tabled in the House in February and normally are approved by the end of July.

Other Establishment Changes: A transfer of a position to another unit or location, the 'occupation' of a position by another classification with the same or lower salary range, or the transfer of an employee involving change in residence or upward change in classification, may be handled at any time throughout the year by departmental recommendations.

Other Systems: Other systems of controlling manpower expenditures are in use in those parts of the public service not subject to the Civil Service Act. Some are rapid, flexible and practical in their application. On the other hand, many of the exempt agencies have adopted variations on the establishment system. Therefore, it is the civil service system which will be described in detail because of its serious drawbacks. It imposes damaging delays, creates frustrating inflexibility, and is expensive.

Delay

16 In certain operating departments subject to uncontrollable workload, a growth factor is applied to determine future staff needs. (An example is the use of projections of classes and quantities of mail to estimate numbers of postal workers needed.) But, more generally, recommendations for changes in establishments must be on the basis of a provable need; that is, upon present facts or proposed additions to activities which have policy approval. Within the regular establishment review procedure, a change can be obtained only by a recommendation in the personnel estimates which are prepared and presented once annually. Thus departments must justify personnel requirements from nine months to two and one-half years in advance, although, as indicated in paragraph 25, there is flexibility to meet what are considered to be really pressing needs.

17 In the normal course, if a need arises after the Main Estimates review has closed, it has to wait until the next Estimates. The actual period for departmental assessment of requirements is from December (when departments know what they have been granted for the next fiscal year) to May. Therefore, from December to May each element of the departmental organization reviews its requirements and prepares recommendations for the fiscal year which will follow the one about to begin. In the period June to mid-August, departmental reviews are conducted at various levels. These usually begin with the unit in the field and then move to headquarters, where division, branch and finally departmental reviews are conducted. The average wait between identification of need and inclusion in the department's estimates proposals is about six months.

18 The establishment review committee meets in August and September to consider requirements for the following fiscal year, that is, from April to the following March

31st. Thus, after the Estimates close in September, the regular procedure imposes delay of about six months before a position is (a) created and (b) can be filled.

19 Following the meetings of the establishment review committee, a report is prepared, with recommendations to the Treasury Board annexed to a complete revision of all the committee working papers. Prior to the advent of the new Civil Service Act this was prepared by the Civil Service Commission officer as committee chairman, and he was assisted by a departmental officer. The working papers show in the "Committee Recommendations" column the disposition of each of the departmental recommendations.

20 Generally in December an indication is given to the department of the cut-backs made by the Treasury Board; the rest of the establishment is assumed to be approved and, usually in January, the necessary authorizing Minute is issued. Once indication of Treasury Board approval has been given, (and subject always to the overriding power of Parliament to vote the necessary funds) the Civil Service Commission can proceed to advertise and recruit against potential April vacancies. However, a tremendous burden is placed on the Commission by virtue of the timing of the establishment changes. The Commission attempts to lessen the impact by forward planning of the competitions which will be called at various times of the year. Departments are asked to assign priorities to the filling of new positions. These are:

Priority 1—To be advertised prior to April 1st with appointments made as soon as possible thereafter.

Priority 2—To be advertised in the period April to June and appointment made as soon as possible thereafter.

Priority 3—To be advertised and filled in the remainder of the fiscal year.

21 Delay has not been confined to the creation of new positions: changes in the establishment involving reclassification have been made "subject to review". Although designed to speed up the review process by spreading out the work of reclassification, this, in reality, merely provided that a department could protect the effective date of reclassification of each position. Actual consideration of the merits of the reclassifications took place at a later date.

22 Ideally, in the period following the close of the Estimates and before any vacancies are to be advertised, the Commission should review all reclassifications included in the Estimates. However, because of the work load and inadequate specialist assistance, the Commission often is compelled to make but a cursory review of the recommended reclassifications. Certain departments may, by the fall of the year, have cleared all reclassifications to be made in the current fiscal year, but others may collectively have backlogs of several hundred awaiting action, in addition to many positions for reclassification in the following fiscal year. The result is delay, morale problems, and loss of staff.

23 Few positions are actually filled in April. Many are not filled by early fall and some are not filled in the fiscal year concerned. Yet the department must again approach the establishment review committee in August, showing staff as of June 30th. As much as ten per cent of a departmental establishment may consist of vacant positions. A portion represents turnover but others are new positions, created as of the preceding April 1st, which have not yet been filled. By way of contrast, approved prevailing rates positions can be filled within a matter of days after creation on April 1st.

24 To summarize, there is, in the normal course, an average of six months from identification of need in a departmental unit to the time when the position is requested at the

establishment review committee. There is a seven or eight months' wait from the time of request to the creation of the position on April 1st. A conservative average is a six months' lapse between creation and actual appointment to a position. This makes a total of about twenty months. The actual time from identification of need to appointment varies from a low of nine months to as much as two and one-half years.

25 The general procedure may in certain circumstances be abbreviated in one of three ways. The wait until April 1st after conclusion of the Estimates review committee meetings, may be shortened by a "semi-emergency" submission to Treasury Board requesting an advance of the effective date of creation of an approved position. An "emergency" submission may be made to provide staff for a sudden and urgent change in government policy. Thirdly, new positions required by less urgent policy changes, which were, nevertheless, unforeseeable as of the time of the main Estimates review, may be handled by supplementary Estimates. These do not extend to simple increases in work load which were not anticipated at the time of the main Estimates. The use of these mechanisms is strictly limited.

26 Delays in obtaining staff affect the implementation of government programmes. Additional costs are incurred in staff overtime and loss of efficiency. Sometimes, delayed programmes incur invisible penalties: essential work not done well or not done at all.

Inflexibility

27 SHORT-TERM CHANGES in establishments are restricted to lateral or 'under-occupation' of positions (i.e., the use of a classification at a level equal to or lower than the one approved) and employee transfers. The departments may transfer an employee, when no change in residence or classification is in-

involved, without the approval of the Commission, but they must report their action. A department may transfer an employee with a change in residence or classification only with the Commission's approval.

28 MIDDLE-TERM CHANGES depend on the establishment review. Because approved positions often cannot be filled for many months or are filled by persons carrying lower classifications, lapses in departmental salary budgets are normal. A representative figure for such lapses would be approximately two and one-half per cent of the total payroll, although they have been known to run as high as sixty per cent.

29 These lapses may indicate looseness in the "fit" of the establishment to actual requirements. More generally they are due to delays in the filling of positions. Casual positions (to fill in for short periods) and overtime (to compensate for extra work required) during a staff shortage are not in the same "account". Thus no clear picture is given of the accuracy with which the establishments meet or exceed the needs of the departments. Departments, in bargaining with Treasury Board for increases of staff, often agree to get positions from 'resources'; that is, from those positions which are now on the establishment but carry a lower priority, or are no longer really needed. These can be transferred or occupied by another classification on a short-term basis to satisfy the department's requirements.

30 DESIRABLE LONG-TERM CHANGES are inhibited by the establishment system. Once approved, the continued need for positions is not often seriously challenged. Accordingly, there is a tendency to continue programmes once they are put into effect. Similarly, it is usually easier to obtain approval to create positions for a new programme than to add them for an existing programme. The resulting emphasis on drawing up statements of duties to show absence of overlap with exist-

ing functions leads often to undesirable splitting of departments into many compartments.

31 Conflict exists on the question of forward planning. A few departments have developed five and even ten year forecasts. Generally, Treasury Board staff blame departments for failure to do long-term planning. On the other hand, departments contend that they are forced into consideration of establishments on an annual basis by the procedures of the review committee.

Expense

32 OVERSTAFFING. The establishment system encourages the retention of unneeded positions because departments must forecast from nine months to two and one-half years in advance, often without adequate policy direction and in an atmosphere of uncertainty as to whether programmes are to be approved. Thus, the personnel estimates are considered before programme proposals. (Examples have been noted of buildings approved in the capital works programme without staff to use them and, conversely, staff approved in the estimates and no provision for buildings in which to work.) Although some trimming is done voluntarily, the general result is that the department tends to hold on to what it has. The establishment review committee usually considers only upward revisions in numbers and, although general pressure is put on departments, the procedure does not encourage scrutiny of the composition and size of existing departmental staff. Moreover, upward revisions in classification are 'subject to review' by the Civil Service Commission.

33 To avoid deletion of positions, departments tend to make work for temporarily redundant personnel. Moreover, the rules of employment in the civil service militate against a system of dismissals and temporary or permanent lay-offs except when absolutely unavoidable.

34 In some respects an exception, the Department of National Defence conducts a continuing establishment review by a travelling committee of service officers, Treasury Board and Civil Service Commission representatives. This committee assesses recommendations for changes in establishments, following a study in depth of the entire organizational unit by a team of departmental officers and Civil Service Commission representatives.

35 The Department of National Defence and some agencies "challenge" each position whenever it becomes vacant. If the position is not required, funds for it are held as a reserve against future requirements. Other departments have tried but subsequently discontinued this practice, because it worsens their bargaining position in the following year under the present review procedure.

36 A Treasury Board directive, dated July 21, 1961, ordered that the preparation of Estimates for the fiscal year 1962-63 begin with actual salary expenditures for 1960-61 adjusted for:

- a revision according to the man-year change approved for the fiscal year 1961-62.
- a provision for revised salary rates in 1961-62 (increases in prevailing rates, general increases, reclassifications and the shift of any of these which applied on a part-year basis to a full twelve-month impact).
- the annual merit increases to staff as estimated for 1961-62.
- a revision to the turnover rate in 1961-62, as compared with that in the previous year, 1960-61.

37 The new current year forecast would itself be subject to four corrections:

- a man-year change based on the establishment review committee recommendations for 1962-63.

- any estimated revisions in rates (reclassifications, prevailing rates, known general increases, etc.), and their full impact in the year 1962-63).
- estimated annual merit increases in 1962-63 (usually taken as 1% for large organizational units).
- a safety margin, which is a standard 2%.

38 It is too soon to estimate what effect this costing analysis will have. While this system does provide for certain flexibility, a major component in the analysis—the man-year change involved—is still subject to the detailed and inflexible establishment system.

39 The lapse in salary allotments in the year just past continues to be used against departments in bargaining for staff in the year to come. The result is often last minute spending sprees by departments in February and March, because they may thereby gain a little more flexibility in next year's programmes. In the materials field, advance purchases are objectionable because they lead to a loss of inventory control, but it is equally true in the personnel field that "inventory" is expensive to maintain when not productive. The treatment given to under-expended votes is unfair to management and removes the incentive for efficiency.

40 Departments are often forced into uneconomic choices. Laboratory technicians may be required to support professional staff and scientists to carry on research work. Clerks may be needed to assist engineers, and a professionally trained man to design facilities. Where a department is forced to make a choice of employees, it will pick the engineer rather than the clerk. The reason is obvious: one engineer can do a little clerical work but a clerk cannot perform engineering work. As a result, an efficient ratio is not achieved between sub-professional and professional manpower. Professional people become engaged in non-professional work, which re-

sults in frustration as well as overpayment for the work done. At the same time, junior staff are denied progression to work which could be done more effectively at the sub-professional level. The primary objective should be efficiency of operations; instead, the establishment review procedure is overly concerned with numbers.

41 Some departmental managers estimate over-staffing as high as fifty per cent. There are, no doubt, many contributory factors: incentives, protection, discipline, productivity, and management ability, not the least of which is the establishment system itself. This figure is almost certainly exaggerated but the fact that it is suggested by responsible officers is disquieting.

42 PAPERWORK: Personnel records and forms in the government service are generally numerous and complicated. In one department, one hundred and sixteen forms are in use to handle changes in personnel. Fifty-one of these are departmental, twenty-seven Civil Service Commission, twelve Treasury, fifteen Superannuation, four Health Insurance and seven from other sources. These are originated or prepared by the employee or personnel division for various personnel actions. The department concerned has drafted complete instructions for the use of these forms by its employees.

43 Traditionally, the handling of forms has been an "art" which has been passed down from employee to employee. Here, however, each process has been reduced to an instruction. As would be expected, the sheer number of forms produces a sizeable instruction manual—one hundred and seventy-three pages! Much of this paperwork simply maintains the establishment system. Treasury Board issues a Minute which authorizes so many of each type and salary range of position by department and branch. The Civil Service Commission prepares an establishment, assigning numbers to each position and allo-

ating them to organizational units. The department prepares its establishment records based on the Treasury Board and Civil Service Commission records. The clerical effort prior and subsequent to the establishment review and in publishing the detailed lists required involves formidable cost in time and materials. This elaborate record system is held to be necessary to maintain the establishment system but it is of no practical utility for departments.

44 The establishment history card is a highly detailed record, not merely of the present state of a position but also of each past change in incumbent, class, and so on, during the life of a position. Similar information is on the employee history card (both active and inactive), except that it is filed by employee name rather than by position reference number. The establishment history card is used to justify claims of increased job responsibility to the establishment review committee. If employee and organization records are properly kept, they can be used in such a way that periodic surveys may be made of departmental manpower without requiring a separate historical record of the position.

45 TIME: The establishment review committee procedure is extremely costly in the time of both senior officers and clerical staff required to produce the voluminous reports and records. It is understandable that Treasury Board and Civil Service Commission staffs do not have a knowledge of departmental activities as detailed as its management. Yet they must query the basis for requested programmes. Departmental managers tend to resent being questioned by relatively junior Treasury Board representatives and, as a result, seek to inflate their recommendations in an effort to divert Treasury Board staff.

46 However, departmental priorities are often not too clearly thought out before being presented to the establishment review

committee. Thus, the committee may lean towards one of the invented programmes rather than towards one which the department feels is really justified. The department will usually go along with this where resources may be juggled sufficiently to accomplish its original objectives. Even when the alternatives lie between completely justified programmes, the process of convincing the establishment review committee as to which would be desirable is a lengthy and time-consuming one.

47 Many programmes are subject to variation, depending upon the ability and availability of people to run them. As an example, one department put up three programmes for a certain scientific field. It was forced to select one, which was done with the proviso that if experience indicated a change was necessary, it could be made. An unsuccessful attempt was made to recruit a scientist to handle this programme but meanwhile another scientist within the government service indicated an interest. He was well qualified for one of the programmes which had been dropped. The department was about to recommend a shift in emphasis in its research activities when the Commission re-advertised the original position. The whole programme was delayed while the three questions of civil service re-advertising, change in duties of the position, and transfer of the scientist were sorted out.

48 This process of ferreting out proper priorities and questioning the development of departmental programmes is a costly and time-consuming one which is hindered by the periodic reassignment of Treasury Board officers among departments and their lack of background knowledge of departmental activities.

49 There is wide divergence between theory and practice in the handling of reclassifications in the establishment review. Theoretically, they are part of the review procedure

but, in practice, few reclassifications are discussed, and all are made subject to review at a later date. This allows the reclassification of the position at any time during the year but protects the effective date by providing authority to pay in the Estimates. Delays result from reassignments of Civil Service Commission officers, necessitating the fresh briefing of new men on the requirements of the position.

50 An estimate is that the salary bill of officers attending a typical establishment review committee may be from \$300 to \$500 per day. These committees may meet almost continuously over a period of two months. In some departments, doubt is entertained whether results justify the effort and cost. In addition, there are many preparatory meetings, including the departmental reviews held at various organization levels. In some departments, almost the entire administrative effort in conducting the establishment review committee is carried on by the personnel branch, which is forced to neglect virtually all its other personnel functions during the establishment review. In other departments, the personnel officers act as assistants in the preparation of establishment review material, with a number of line officers being required at the actual committee proceedings. In either situation, it is clear that a very substantial amount of non-productive time is spent coping with the establishment system.

Dilemma of Controls

51 These findings from the investigation of the present structure of authority and responsibility for personnel management underscore the dilemma of controls in the public service and, for that matter, in any large-scale organization.

52 The basic question raised by the present structure of authority and responsibility is: What services can be performed best by central agencies without unduly restricting the

authority of operating officials in departments and agencies? The present system does not provide the speed, flexibility and real sense of responsibility required for effective personnel management in departments and agencies. Moreover, the situation is complicated by the existence of three different agencies, each with some controlling authority.

53 The Civil Service Commission controls some matters, the Treasury Board others; both are involved in such issues as classification and related pay-scales in the sense that the Commission formulates and recommends and the Board accepts or rejects. The two agencies, together with a given department, constitute a complex triangle of authority and responsibility in which countless detailed problems and requests sometimes travel lengthy circuitous routes before decisions are made and action taken.

54 There is no doubt that central guidance and some measure of central control are necessary to achieve proper balance and a measure of consistency in personnel management in the public service. But under the present system controls have been overdone: they have deprived the operating departments of initiative, responsibility and accountability and the controlling bodies have been divided and unco-ordinated. The costs in terms of reduced effectiveness of the public service have been very high.

PRESENT STATUS OF THE PERSONNEL FUNCTION IN DEPARTMENTS AND AGENCIES

55 The absence of authority and responsibility for personnel management in the departments and agencies is reflected in the present status of the personnel function. In general, the personnel function is regarded as a necessary part of departmental administration, existing to carry out policies and regulations of the central control agencies, but there are wide differences from department to department in the status, the role,

and the effectiveness of personnel officers and their staffs.

56 In many departments the role of the personnel division is to translate policies and regulations issued by the central control agencies into departmental actions. It thus becomes an extension of the control agencies: a policeman. When the department's desires run counter to central control regulations, such a personnel division is in conflict with its management. At the other extreme, a personnel division may aim at meeting the needs of the department completely, with accompanying efforts to "beat the system" and to circumvent or overlook control agencies' regulations where possible.

57 Between these two extremes lies a middle way. The personnel function is discharged as inoffensively as possible by providing efficient personnel administrative services for the department and at the same time ensuring that there is an absolute minimum of transgression of the control agencies' regulations. The personnel division strives to keep the department out of trouble with the control agencies and provides only services of a routine nature, such as documentation, transmission of requests and reports, maintenance of records, files and statistics, and the implementation of personnel regulations and procedures.

58 Examples of each of the three methods described exist. A majority adopt the middle way. However, some personnel officers have become "department oriented" and show considerable initiative. Several examples were found of personnel units which have developed efficient and aggressive systems to expedite all requests to and from the central control agencies. Another personnel division has developed its own job evaluation plan for guidance within the department and also as a cross-check against the classification system of the Civil Service Commission. Several examples were found of personnel divisions

which had developed new staff appraisal methods to make efficiency ratings more adequate.

59 These differences stem from the existing division of authority and responsibility for personnel management. While some initiative has been demonstrated in an attempt to improve personnel management in spite of the system of central control, the performance of the personnel function in many departments and agencies is negative because it does not derive from a sense of real responsibility for personnel management.

60 Early in the field investigation it was found that the Civil Service Commission was conducting an experiment by installing one of its own personnel officers in a department to serve as the departmental personnel officer. The object was to improve personnel services to the department through the personnel officer's specialized knowledge of Commission regulations and procedures. It was expected there would be a reduction in the duplication of personnel work between the Commission and the department.

61 The experiment has met with indifferent success because the departmental personnel officer remains a member of the staff of the Civil Service Commission, although for practical purposes he is seconded to the staff of the department. As a representative of the Commission working in a department, his loyalties are divided. The experiment was undertaken as a sincere attempt to operate more efficiently within the present system of divided authority, but it does not solve the basic problem. A similar plan was proposed in the United States some years ago, but was rejected.

62 The field investigation disclosed that the quality and status of the personnel function are strongly influenced by attitudes in the department towards personnel questions. Wide variations exist in the importance

attached to personnel management and the attention given to it by senior departmental officers. Activities such as scientific research require active consideration of human resources, and in these instances senior departmental management are more aware of personnel problems and give greater weight to personnel management.

63 In general, more freedom to manage personnel has been granted to departments or agencies employing new or specialized occupations in technical fields. The need for special policies and procedures for these occupations has been recognized, and it has been seen that these could be handled effectively only at the departmental level. In such departments, as in the exempt agencies, management has a better understanding of the importance of personnel management to the department and a somewhat greater degree of knowledge, skill and awareness in handling personnel problems.

64 Other departments which are subject to the Civil Service Act and engaged in the less technical operations tend to under-rate the importance of personnel management and to pay greater attention to the management of facilities and equipment. They are less aware of the proper objectives of personnel manage-

ment and more apt to feel that this responsibility *should* rest with the control agencies. They often make the regulations and the procedures of the control agencies a convenient scapegoat for unsolved personnel problems.

65 Even in the present circumstances, the attitude of the deputy minister towards personnel management is the most critical factor in determining the effectiveness of the personnel function in a department. His attitudes and his example establish the standards for dealing with personnel problems within the department. Unfortunately, there is little or nothing in the present system to encourage him to accept responsibility or to hold him accountable for performance.

66 On the evidence gathered, personnel officers in the public service tend to be insular in outlook and lacking depth of knowledge of modern personnel management. They tend to confine their external contacts to public personnel associations and other government-oriented groups, thus narrowing their perspectives. They need, especially today, to be much more aware of social trends, advances in the social sciences, and significant personnel research activities, all of which can be important to the increasingly complex and valuable job of personnel management.

5

STAFFING THE PUBLIC SERVICE

INTRODUCTION

① Under powers originally granted by the 1918 Civil Service Act the Civil Service Commission now recruits, selects and appoints personnel for departments. Positions within its jurisdiction are "classified" positions. Exempt from its jurisdiction are the numerous groups identified in Chapter 1.

2 A basic aim of the 1918 legislation was the elimination of patronage and substitution of the merit *principle*. Efficiency of the public service and the career security of the public servant were to be protected against the spoils system. In practice, achievement of the merit principle has been sought by an elaborate series of procedures and rights called the merit *system*, involving a highly centralized approach and putting great stress on uniformity.

✓3 The public service is now so large and complex that the multiplicity of policies, procedures, rules and regulations peculiar to Canada's system detracts greatly from the effectiveness of the public service. The less involved and rigid recruiting, selection and ap-

pointment procedures adopted by some of the exempt agencies show that substantially quicker results can be obtained without jeopardizing the reality of the merit principle.

4 That highly centralized administration and rigid uniformity are not essential to protection of the merit principle has been adequately demonstrated by two governments who faced the problem of size somewhat earlier than has Canada. Both the United Kingdom and the United States have made substantial progress on each of these scores. In recent years, the United States particularly has delegated to departments substantial authority to recruit, select and appoint.

5 Decentralization was forced on the United States Civil Service Commission by the enormous post-war growth of public service employment within its jurisdiction. The system it adopted is based on the assumption that departments and agencies have as great a stake and interest in the merit principle as has the Commission itself. It permits departments to recruit, select and appoint on their own initiative but in accordance with standards and procedures agreed upon with

the Civil Service Commission and subject to its audit. It embodies wide-spread use of competitive examinations and review by boards of examiners composed of departmental officials.

6 Some steps towards decentralization have been taken by the Civil Service Commission in Canada. The most conspicuous example is the delegation to departments of the authority to conduct internal promotion competitions. While a limited step, it has worked well, and neither the departments nor the Civil Service Commission seem inclined to retreat from it. Under the new Act, a deputy minister may in certain circumstances recommend an appointment to the Civil Service Commission, but the power of actual appointment remains vested in the Civil Service Commission. The extensive provision for appeals under the new Act undoubtedly sets real limits to the extent of effective delegation possible.

7 The evidence is clear that within its present narrow limits of delegation the Civil Service Commission grants relatively more power to those departments it regards as competent than to those it regards as weak. In certain cases, for instance, it has delegated some pay and classification authority, although in the process it has found some departments unwilling to accept such responsibility. On the whole, delegation appears to be regarded by the Commission as a step occasionally necessary but one to be taken with reluctance and held to a minimum. It seems to be dictated usually by administrative convenience rather than undertaken as a matter of principle. The approach to decentralization has been limited, spotty, and without much conviction. In this, of course, it reflects what appears to be the spirit of the Civil Service Act.

RECRUITMENT

8 By recruitment is meant the advertising process, together with its attendant admin-

istrative tasks, whereby people are informed of vacancies in the civil service and invited to apply for them. Implicit in the Civil Service Commission approach to recruiting is the belief that every qualified citizen has a right to be considered for appointment to a civil service position, and that all must therefore, be made aware of the opportunities available.

9 The chief means of recruiting are single sheet posters and newspaper advertisements which follow a standard form. The posters are distributed to Post Office, Unemployment Insurance Commission offices, and other government buildings frequented by the public and, in certain instances, to universities. Posters are also distributed to government offices for the information of public servants. Where scientific and professional personnel are required, advertisements are inserted in appropriate learned and professional journals. Many professional openings are also advertised by means of information circulars containing more detailed descriptions of the work. Distribution of these circulars is like that for posters, except that they are sent to the executive and professional offices of the National Employment Service and not to the Post Offices.

10 University recruiting is carried on by the Civil Service Commission through the liaison officers of the universities who arrange for visits to the various campuses. In addition, leaflets are distributed describing various job opportunities attractive to university graduates.

11 Poster advertising is criticized on several grounds. It is adequate for mass recruiting, e.g., clerks, stenographers, etc., but inadequate to attract specialist personnel. The production of posters may impose delays of up to thirty days. Moreover, the process of advertising, including newspaper advertising, has become mechanical and inflexible. Although the old Act made provision for restricting advertising to the area where the

vacancy arose, no clear, rational basis for decision was specified. The requirement (dropped from the provisions of the new Act) that all headquarters positions must receive Canada-wide advertisement, imposed long and frustrating delays on recruitment. In addition, the Civil Service Commission may not take steps to fill a vacancy until the vacancy has actually occurred, although it must be recognized that in many instances it is not informed of the vacancy in advance.

12 The general departmental and agency criticism of present recruiting procedures is that there are frequent, long and frustrating delays (see Table 16). Many departments feel that, given the opportunity, they could be more imaginative than the Civil Service Commission in the use of the recruiting techniques available. In the view of many, the Civil Service Commission allows itself to be too concerned with the niceties of merit system routines and too little with the urgency of the departments' need for personnel. The Commission is, of course, aware of the delays and criticisms but feels bound by the principles implicitly incorporated in the Civil Service Act.

SELECTION AND APPOINTMENT

13 Once the deadline for the receipt of applications has passed, the recruiting phase terminates and the processes of selection and appointment begin. Techniques of selection may include written examinations, practical tests of skill, advisory examining boards and oral examining boards. When the examination board has completed its work, an eligible list is established based on the marks assigned to each candidate. This is then modified by the imposition of the veterans' preference and any locality preference. All candidates are notified of the results of the competition and offers of employment are sent to those who are successful. In the final step, a candidate notifies the Commission of his acceptance and indicates the date on which he will report

for duty. A brief description of the various steps and terms in the selection and appointment process follows:

- *Advisory Examining Board*

The Advisory Examining Board includes one or more representatives of the department concerned. Its Chairman is an officer of the Civil Service Commission. The function of the Board is to screen the applications and eliminate those which do not meet the advertised qualifications for the job. The Board then decides what written or practical tests, if any, are required and authorizes them to be given to the candidates.

- *General and Special Examinations*

General and special examinations consist of a general aptitudes test consisting of four parts (verbal ability, numerical ability, general knowledge and reading comprehension); and special achievement tests of various kinds, designed to measure narrowly defined combinations of ability, training and experience. An example is the work-sample examination designed for use in the selection of bilingual translators.

The general tests are used where some index of general intelligence is needed to select from a large group of applicants those most likely to perform well a variety of administrative duties. The special tests are used for highly specialized jobs where competence is felt to be largely a function of training and past experience, and is consequently less directly dependent on general ability.

- *Oral Examining Board*

The Oral Examining Board is composed of the same persons who constituted the Advisory Examining Board. From the results of the examinations, it decides what applicants are to be interviewed and arranges for such interviews at appropriate times and places. The Board may itself travel across the country or it may delegate its functions to appropriate regional offices.

Table 16 — CIVIL SERVICE COMMISSION — ANALYSIS OF RECRUITMENT DATA — TECHNICAL AND SCIENTIFIC CLASSES — JUNE 1960–JUNE 1961
(Based on 43 departmental requisitions for single vacancies — normal actions)

Classes	Consideration of Requisitions (Commission)			Advertising Action to Closing Date		Consider Candidates		Requisition to Offer Total Time Required		Offer to Reporting		Requisition to Reporting Over-all Time	
	Preliminary		Final	Compe- titions	Aver- age Time	Compe- titions	Aver- age Time	Compe- titions	Aver- age Time	Compe- titions	Aver- age Time	Compe- titions	Aver- age Time
	Num- ber of Compe- titions	Aver- age Time*	Num- ber of Compe- titions										
Engineering and Related.....	14	20	17	17	41	17	58	15	128	14	34	14	159
Scientific (Physical).....	8	29	9	9	72	9	34	8	141	6	9	6	147
Forestry and Bio-Sciences.....	4	9	4	4	52	4	50	4	145	3	20	3	175
Professional.....	5	5	5	5	43	5	53	5	115	5	57	5	171
Architect.....	3	36	3	3	36	3	44	3	143	2	66	2	244
Non-Scientific.....	5	45	5	5	45	5	46	4	158	4	37	4	196
Summary (all classes)....	39	23	43	43	49	43	49	39	135	34	34	34	169

* Time is in calendar days (elapsed time).

- *Eligible List*

This is an ordered list consisting of those candidates who have progressed satisfactorily through the various phases of selection. The order may be modified by veterans and locality preferences.

- *Veterans Preference*

Under the Civil Service Act, all Canadians who have served overseas in Her Majesty's forces are given preference for positions over all other candidates regardless of marks obtained, provided only that the veteran meets the minimum qualifications established for the position.

- *Locality Preference*

Under the old Act, in certain instances, preference was given to candidates residing in the locality where the vacancy occurs. Under the new Act, preference is given to candidates residing in the locality served by the office.

14 The universal vehement complaint about the selection and appointment process is the long delay in filling the position. The evidence is abundant. Table 16 summarizes the record on forty-three open competitions for single positions, all technical and scientific. It reveals that from 147 to 244 days elapsed from the time the Civil Service Commission received the requisition from the department until the vacancy was filled. The average time lapse for all these competitions was 169 days. The delays are not due, in general, to carelessness or inefficiency on the part of the staff of the Civil Service Commission but rather to the complex and cumbersome system. The procedures as a whole illustrate clearly how, in the name of the "merit principle" which all can support, a merit system has been devised which conflicts with the real objective: to get a well qualified person within reasonable time. Parliament removed some of the road blocks in 1961; it is to be hoped that the Commission will act in like spirit.

15 The United States Civil Service Com-

mission has devised approaches to minimize this conflict. In addition to delegating to departments under carefully agreed rules recruiting, selection, and appointment, it has established continuous competitions to fill many jobs which are common to a number of departments. Thus the recruiting office in Washington holds daily examinations for clerks and stenographers. This practice is duplicated in many of the regional offices of the Commission. This system of continuous competitions is more flexible and effective than the present Canadian Civil Service Commission practice of holding semi-annual competitions in Ottawa for positions common to most departments. The system in the United States encourages applications at any time in various parts of the country. Successful candidates are immediately placed on a "register" (the American equivalent of the Canadian "eligible list"), and are available when vacancies occur. Under the "rule of three", departments may interview the top three available candidates, appoint the one of their choice, and notify the Commission accordingly.

Test Procedures

16 The special examinations designed to measure narrowly defined combinations of ability, training and experience have a "face validity" that may, in general, be accepted. Since they usually consist of an ingeniously composed sample of the requirements of the job itself, there is some reassurance that they probably do measure what they purport to measure. For example, the candidate who can quickly compose in idiomatic English an acceptable advertisement for a technical post, the detailed description of which comes from a French text book, and can then duplicate the process from English to French, is in all likelihood fully bilingual for the purposes of the job.

17 It is disturbing to report, however, that the general ability test which is widely used

has never been validated at an acceptable degree of statistical rigour. The only evidence that it measures what it purports to measure is indirect and inconclusive. It cannot be proved that the clerk with the highest general ability score is necessarily the best clerk or even (since few are dismissed) that he is an acceptable clerk. It is probable that he is, in some sense, "better" than those who scored low, but it does not necessarily follow that he is "better" at the particular job in question.

18 The Civil Service Commission is aware of these difficulties. It has conducted some comparative studies of score distributions obtained by applicants from different regions of the country and, where these are statistically similar, accepts the fact as evidence that abilities measured are broadly characteristic of the population at large. While this strongly suggests that cultural differences among the applicants do not act as discriminatory factors in selection, it does not constitute validation of the test. To validate the test it would probably be necessary to hire a number of persons with low scores and follow up with an appraisal of performance on the job in relation to those with high scores.

19 There is little evidence that the validity of the results of either oral interviews or the traditional essay-type of examination has been tested. Departments also use examinations as part of the promotion process. They are often devised and administered by untrained persons and no one knows really whether or not they are valid.

20 It is evident that there is an inverse relationship between the demands of a job and the number of persons qualified to perform it. Consequently, the elaborate procedures used to select persons for jobs requiring little ability seem scarcely necessary. They can, in fact, be misleading because they purport to justify a ranking in eligible lists which cannot be valid because the abilities required cannot be measured to neat percentage points.

21 Selection and appointment procedures should be adapted to the varying demands of the job hierarchy. At the lowest levels their aim should be to eliminate the obviously unfit. Those who survive should constitute the eligible list to be drawn from as their services are required. At intermediate job levels the same screening process is necessary but positive selection criteria, such as written and oral examinations, the assessment of experience, and educational qualifications, begin to have value. Such tests yield rating ranges upon which judgments can be based. Experience is that psychological tests have a negative element in them. They are most reliable in eliminating those who lack the basic abilities required, but will not indicate whether the person with the *ability* to do the job will be interested and conscientious in performance.

22 At the highest job levels, appraisal of experience by competent senior civil servants may be the best discriminating technique because almost all candidates can pass whatever examinations may be set. Moreover, questions of temperament and ability to work with other specific persons may be of importance. These qualities are not easily measured by objective examination and, in practice, are best assessed by competent departmental management.

23 One of the errors of the merit system is the Civil Service Commission's practice of filling a senior vacancy with the top man on the eligible list, thus denying to the department the opportunity to choose from among the eligibles. The argument is advanced that to do otherwise is to contravene the merit system. This argument is fallacious for at least two reasons. First, it assumes that the top man in the examination will always be the best man on the job, a correlation which cannot be demonstrated. Second, it ignores personality factors and their important influence in contributing to or detracting from a harmonious work environment.

Patronage

24 Before 1918, Canada's public servants (especially those located outside Ottawa) were selected predominantly on the basis of political patronage. The Civil Service Commission was established primarily to overcome this practice, but the merit system, as applied by the Commission, has not been altogether immune to manipulation of job specifications and selection procedures. For all practical purposes, however, the Civil Service Commission has managed to eliminate political patronage in appointments to those positions falling within its jurisdiction. What of the record in exempt agencies and positions?

25 Field investigations of Crown corporations and agencies exempt from the Civil Service Act provided examples of patronage. However, agencies which have surrendered to political pressure in the final selection and appointment process appear, in general, to insist that the preferred candidate be "qualified". They conduct trade tests amongst the recommended candidates and select the person best qualified in their opinion.

26 Certain agencies were found to recruit freely without any pressure or political interference. Some are subjected to pressures sporadically and others constantly. In the latter group are some which receive such a flood of recommendations that they do not have to advertise or use regular media to fill the vacant positions. The supply of recommended candidates is such that they pick the candidates they judge to be most suitable. Political patronage is a fact in some exempt agencies, but is neither exceptional nor the general rule.

PROMOTIONS AND TRANSFERS

27 All promotions in the civil service are subject to the Civil Service Commission's exclusive power of appointment. A policy of promotion from within is followed by the

Commission and by all departments: first, within the department, then within the service, and finally, if these are not adequate, an open competition is held.

28 The Civil Service Act defines promotion as a change from one class to another with a significantly higher maximum salary. The avenues of promotion are departmental, interdepartmental, open competition, reclassification, and "promotion board". Wherever it is possible to do so, the Civil Service Commission delegates internal departmental promotion to the department, subject to a somewhat mechanical post-audit, with the official certificate issued by the Civil Service Commission. Interdepartmental competitions, on the other hand, are conducted by the Civil Service Commission and may be regional or Canada-wide at the Commission's discretion. Both departmental and interdepartmental promotions are subject to appeal.

29 Open competitions provide an avenue of promotion for candidates who are already civil servants as well as an opportunity for appointment to the public service from outside. Departments sometimes recommend open competitions in order to attract new talent from outside the service, but they do so with reluctance because such competitions may take from three months to a year.

30 Promotion by reclassification occurs when a position is reclassified because of a material change in the duties of the incumbent. Some positions are reclassified without change of duties in order to reward an employee, for example, a scientist whose increasing experience makes him more valuable or a long service officer nearing retirement. Promotion by board is a special case limited to foreign service departments and some scientific and professional personnel. A board of experts reviews the records of the employees concerned and recommends promotion as it sees fit. These recommendations are subject to confirmation by the Civil Service Com-

mission. This departure from promotion by competition is largely dictated by necessity, as the world-wide dispersion of the foreign service makes competitions difficult if not impossible and professional stature of scientific personnel is not usually best measured by competitive tests.

Appeal Procedures

31 No consideration of promotions and transfers can afford to ignore appeal procedures because they can delay substantially the confirmation of an appointment. Any employee dissatisfied with the result of a promotion competition has the right to appeal the decision of the board. Under the regulations, all unsuccessful candidates must be notified of the results of the competition and of their right of appeal. Thus there are delays, because an appointment cannot be confirmed until any appeal forthcoming has been adjudicated.

32 Delays from appeals under the provisions of the new Act may be even more numerous than in the past, for the Act makes the appeals procedure more formal in that counsel may be retained by appellants. It also widens the basis of appeal to include transfers, demotions, suspension, and withholding increases. By contrast, the United States Civil Service has a policy which permits an appeal only against decisions which damage the present status of a civil servant, not against one alleged to deprive him of some future benefit, such as promotion.

33 The difficulties of the present promotion-appeal situation are highlighted whenever a sequence of promotions develops from the initial promotion, because the whole sequence is paralyzed until the last appeal is heard. While it is true that temporary appointments can be made during the appeal period, successful candidates are usually unwilling to assume their new responsibilities on this uncertain basis, particularly if it involves moving from one city to another.

Employee Evaluation

34 A valuable adjunct to your Commissioners' proposal that managers be given the authority to promote without appeal and, at their discretion, without competition would be extension of the use of promotion boards like those now used for promotion of foreign service officers in the Departments of External Affairs and Trade and Commerce. An effective procedure for employee evaluation would provide managers and boards with necessary information when promotion opportunities were being considered. Field investigations of those departments where promotion boards are used clearly indicated that the strength of such procedure lies in the fact that the employees concerned have confidence in the personnel comprising such boards and their reputation for sound judgment. For example, in the Department of External Affairs, each embassy is responsible for making a meticulous appraisal of its staff members. These appraisals are considered by an appropriate board in Ottawa, which then recommends promotions and transfers, no appeal being permitted. There has been a minimum of dissatisfaction with this procedure. In using similar procedures the evidence is that, when competent managers have the opportunity to exercise the right to manage, they win the confidence of those they manage.

35 Formal employee evaluation has had a long and checkered history in the federal public service, similar to that in the private sector. With the new Civil Service Act, the Civil Service Commission has ceased to have a statutory responsibility for employee evaluation procedures. As the departments are now to assume full responsibility, it is to be hoped that supervisors will be helped, as well as compelled, to play their proper role in this area. The supervisor's skill in employee evaluation and in making evaluation a constructive tool of employee development should be a valuable index of his supervisory ability. Departmental supervisors should be given substantial training in employee evaluation

so that they may perform capably what is essentially a confidential, on-the-job counselling of their employees.

36 Evaluation of employees should have a dual purpose: (a) to help the employee become a better employee, and (b) to aid management in its personnel management. Both the need to stimulate employee growth and development and the need for an accurate personnel inventory of manpower skills and experience must be met. Careful and competent evaluation of employees provides the basis for employee training and management development decisions.

TRAINING AND DEVELOPMENT

37 Authority and responsibility for training and development within the civil service is divided between the departments and agencies and the Civil Service Commission. This dual responsibility is broadly defined in a section of the new Civil Service Act which states that the Commission shall "operate and assist departments in operating staff development training programmes".

38 The need for staff training and development programmes has confronted the civil service for a long time. Various reports in the past have referred to this gap in government personnel management: the Arthur Young Report in 1919; the Report of the Royal Commission on Administrative Classifications in the Public Service in 1946 (which could find few examples of the systematic training of administrative personnel), and the Report on Personnel Administration in the Public Service in 1958. The last stated that "both the Commission and the Departments should, in our view, do more than has been possible in the past in the development and training of staff and in employment counselling".

39 In proportion to the needs of such a large and complex organization, very little

training and development have, in fact, been done. It is recognized that organization and operation of programmes adequate to the needs are not easy. It is a big job, one which has challenged even the most highly qualified and experienced training and development specialists from large industries in which substantial programmes have been in operation for many years.

40 Experience outside the federal public service makes it clear that there are three prerequisites for effective training and development programmes. First, both staff training specialists and senior management must have a clear understanding of fundamental principles and purposes. Second, top management must be prepared to support a programme based upon these basic principles and objectives. Finally, adequate financial budgets and competent staff must be provided.

41 Industry also demonstrated that successful training and development programmes must be based on certain facts and principles. These have been used in assessing programmes currently undertaken by the public service:

- *Distinction Between Training and Development*

Training is the process of teaching skills to an individual so that he may improve his performance on a particular job. Development is the process whereby an individual acquires new knowledge, habits, attitudes, self-awareness, and values or maturity. Training courses and development programmes, therefore, entail different methods.

- *The Learning Process*

Success in formulating and operating training courses and development programmes depends on relating them to proper knowledge of how people learn; otherwise, the approach becomes one of costly trial and error.

- *Determination of Needs*

Training courses and development programmes are sheer waste if not founded on identified needs. A successful approach, therefore, requires analysis of present and future manpower requirements, appraisal of the suitability of present resources to these needs, and development of programmes to fill the gaps. Viewed in this perspective, training and development are integral parts of the process by which management objectives are achieved. They are, therefore, an inescapable management responsibility.

- *Simulated Work Conditions*

The effectiveness of training and development is measured in terms of the change in the work performance of an individual on the job. Therefore, it is vital that training and development methods simulate, as far as possible, the actual job conditions. The Link Trainer, used for training pilots, was one of the first and best known examples of the application of this principle.

- *Work Environment*

Finally, it is essential that training courses and development programmes take account of the realities of the work environment in which the results will be applied. If the work environment inhibits the application of new knowledge and skills, if initiative is stifled, interest discouraged, job performance limited, self-development arrested, then training and development programmes are wasted. The public service provides a good but discouraging example because the most effective programmes of management development can yield few dividends in organizations which do not permit managers to manage.

42 Judged by the above standards, by the degree of top management support, and by the adequacy of financing and staffing, training and development have not, in general, received anything like appropriate attention

in the public service. In many departments training needs and possibilities have not been recognized. Where they have been recognized, training specialists of the proper quality have often not been used. There has been, in general, no development of a common policy on training or a common approach to it for the public service as a whole. Such training activity as there is, therefore, tends to be fragmented, unco-ordinated, and tied into no very clear conception of objectives and how to achieve them. The picture is not entirely black: a few well-conceived and competently handled programmes are operated both by departments and agencies and by the Civil Service Commission.

43 Generally, the courses and their method of presentation show little awareness of the implications of accepted theories of learning. Lack of knowledge of outside developments in training techniques and in development programmes is wide spread. Training specialists tend to talk in terms of methods and techniques which, while common in industry and universities years ago, are no longer representative of the best thinking and practice. There is little evidence that training courses or development programmes are measured against the real results they produce.

44 To the extent that training needs are studied in departments and agencies, it was found that most of the emphasis is put on present gaps in skills rather than on planning to eliminate future gaps. This is even more true in the whole area of personnel development. While there is general acceptance of the need to develop more and better managers, programmes established to meet the need reflect relatively little attempt to identify the special skills, knowledge and attitudes required. Measured against the needs, training specialists in the departments are too few in numbers, and lacking as well in qualifications and competence by comparison with their counterparts in industry. Their relatively low salary and status level in the public

service is, undoubtedly, a cause. At the same time, it reflects the general lack of awareness of training and development needs and possibilities probably more than it does any handicaps which establishment, classification, and appointment procedures may put in the way of recruiting competent training specialists from outside the service.

45 Although the attention and effort devoted to training and development in departments is relatively small, even by comparison with other personnel activities, a variety of courses and programmes does exist. A few departments conduct courses to provide new employees with orientation to their department or to the public service. Skill training is often provided to meet immediate and simple needs. Examples include courses for tradesmen, courses in office economy and methods, apprenticeship training courses in the naval dockyards, driver training and first aid courses for field parties, and courses in skills such as letter writing, stenography, the conduct of meetings, and memory, reading and speaking improvement. The Civil Service Commission has offered a variety of trades courses ranging from typing and stenography to map charting, stationary engineering, and teletype operating. Activity is declining in these areas as the provincial government educational programmes expand to meet the same needs. The Commission also conducts extensive secretarial courses.

46 Special training for supervisors and administrators at junior and intermediate levels is provided here and there by departments and by the Civil Service Commission. One department operates such courses a half-day per week for thirteen consecutive weeks, approximately three times a year in Ottawa and twice a year in its regional districts. Teaching techniques include lectures, case studies, films and discussions. Over the past two years the Civil Service Commission has conducted experimental courses for first line supervisors, covering human relations, office manage-

ment, staff control and basic management philosophy. It also conducts a number of courses for specialists such as those in personnel administration and records management, and those for its own officers. Its district staff training representatives have held special courses on supervision and human relations, as well as management institutes. But, taken as a whole, the public service lacks mechanisms for giving specialists familiarity with the work and jobs of their counterparts in other departments and agencies.

47 There is growing use in the public service of outside facilities such as those provided by short courses at universities and American Management Association seminars. In addition, educational leave is made available to public service employees so that they may improve their technical qualifications. Both the Civil Service Commission and the Treasury Board are frequently involved in decisions to grant such leave but, because there is no established policy and because the first initiative must be taken in departments, there is wide variation in the use made of the privilege. Generally, the public service is disposed to offer less financial support for such undertakings than are many industrial and commercial employers, although there are exceptional cases in which public servants are kept on full salary while on educational leave.

Management Development

48 Management development in the public service has suffered from the division of responsibility among departments, agencies and control bodies, and from those quirks in the merit system, as applied, which make it difficult if not impossible to plan promotions and transfers. Lacking authority for personnel management, departments have been less inclined to plan carefully for the development of replacements. Lacking a single, central managerial group with co-ordinating and policy-making responsibilities in personnel management, the public service has

been too fragmented for a programme of management development to be effective for the service as a whole. In general, the need for management development has not been adequately recognized. There has been little or no use of the ordinary tools of management development such as a continuous management inventory, regular appraisal of the management capacity and potential of individuals, replacement tables, or planned programmes of development for present and future managers.

49 Despite these obstacles, some informal management development activity exists. One device is "classification creeping"—a process for avoiding promotion competitions. Another, is the placing of employees in positions with the justification "that no one else in the department is as well qualified". Of over 200 civil servants attending the Senior Officers' Course from 1954 to 1960, most had received their promotions by such routes rather than through the established system of promotion competitions. A few departments, in which management development receives more attention, have attempted to carry out systematic planned rotation of individuals, carefully selected for management development. Such programmes have the support of the central control agencies in principle but, despite this, the establishment review and the estimates procedures tend to frustrate staff rotation for management development purposes. Interested departments have also used educational leave as a means of promoting improved technical and managerial qualifications. They have, where possible, taken advantage of facilities outside the department for giving administrative training, including the National Defence College and the Senior Officers' Course operated by the Civil Service Commission.

50 Management development has been an objective of the Civil Service Commission's training and development programme since before World War II. An early preoccupa-

tion with job instruction training has given way to a few development programmes, such as regional courses in government administration, the Junior Administrative Officers' course, the Intermediate Administrative Officers' course, and the Senior Officers' course, which emphasize public administration. Today, the management development activities of the Civil Service Commission are concentrated on these three instruction programmes.

51 Between 1948 and 1960, a total of 172 persons participated in the Junior Administrative Officers' course. Most of the participants came from the Junior Administrative Officer class, who are recruited to the service as university graduates, but a sprinkling were Junior Officers who had come up through the clerical grades. As of 1960, 145 were still in the service, occupying positions in almost every department and agency. About forty-five officers now participate in the course each year. During early years, the course took the form of half-day lecture and discussion sessions occurring at weekly intervals throughout the first year of service of the Junior Administrative Officers. More recently, the course has been concentrated into sessions totalling about four weeks, in two instalments, and given on a full-time basis away from the place of work.

52 This course is designed primarily as an induction course for Junior Administrative Officers (recently renamed Junior Executive Officers). During their initial year in the service, it is intended that they be rotated from one assignment to another within their department, through this medium and through the course gaining familiarity with the public service and its administrative procedures. On the basis of their performance on these assignments and on the course, they are rated at the end of the year by the Commission, which recommends whether they shall be retained in the service and whether or not promotion is warranted.

53 The Intermediate Administrative Officers' programme is designed for intermediate grades of administrators, roughly Administrative Officers in Grades 4 to 6 inclusive. This is a two-week course consisting usually of a series of lectures and discussions. Principles of administration and organization, techniques of communication, audit and manpower control are discussed in some depth. The course is offered to headquarters officers in Ottawa and in four regions across Canada: one for the Prairies and British Columbia, one for Ontario, one for Quebec, and one for the Maritimes. The courses are usually conducted in residence, normally using university facilities with members of university faculties invited to assist. About forty Intermediate Administrative Officers take part in each course which is offered twice a year.

54 The Senior Officers' course is operated annually for a period of four weeks. Participants are in residence, formerly at Kemptville, Ontario, more recently at Arnprior. It was originally designed to bring together top senior officers up to the rank of Assistant Deputy Minister. This so limited the number of candidates that Administrative Officers Grades 7 and 8 and branch heads were subsequently qualified to attend. The general rule, though not rigidly enforced, is that candidates be between the ages of 35 and 50 and have good prospects for at least two further promotions. Approximately twenty-five per cent of the participants attending the course come from outside the Ottawa area. The Training Branch of the Civil Service Commission selects those recommended, taking account of what the individual could be expected to contribute to the course and what he might gain from it.

55 The course is designed for senior officers more concerned with administrative problems of management than with the technical details of departmental operations. It combines political science and principles of administration and organization, using lec-

tures, workshop discussions and case studies. The teaching staff is drawn from the deputy minister level of government, from business and industry, and from universities. Since the inception of the Senior Officers' course approximately three hundred persons have participated in it.

56 On the whole, the Civil Service Commission has shown more imagination and more capacity in establishing and conducting training courses and development programmes than have the departments. Throughout the public service, however, there has been an inadequate conception of the role of training and development and an inadequate allocation of resources to it. Not enough research has gone into the identification of training and development needs, nor have individual training courses and development programmes been tested against results achieved. The emphasis has tended to be too much on courses rather than the even more effective development tools of training on the job, skilled supervision, and job rotation. A well-planned, co-ordinated programme of employee training and management development for the public service as a whole is urgently needed. It will more than repay extensive effort and expenditure.

SCIENTIFIC PERSONNEL

57 The two realms into which the public service is divided are nowhere more evident than in the handling of scientific personnel. National Research Council is entirely independent in its personnel policies, while large research establishments like those in the Departments of Agriculture and in Mines and Technical Surveys are subject to normal Civil Service Commission powers. In recruiting terms, the differences are not as great as might be expected. The Civil Service Commission tends to delegate to departments more of its authority when it comes to selection of scientific personnel. Thus, while formal procedures for recruitment, selection and

appointment of scientists for departments fit the standard pattern of advertising, competitions, selection boards and Commission appointment, departmental managers are, in fact, permitted to exercise judgment on selection to almost the same extent as do their counterparts in exempt agencies.

58 In the departments, selection is by special boards working with the Civil Service Commission. In most of the exempt agencies, selection is by standing boards or committees of senior levels of management, which often include first-ranking scientists from industry and universities. For competitive reasons and because of the pressure to fill established positions while they are available, selection standards in departments tend to be lower than in the exempt agencies where the standing selection committees are more independent. Despite the special approach of the Commission to recruiting scientific personnel, procedures in the exempt agencies seem to be more flexible and to give them an edge over departments seeking the same classes of personnel.

59 Close links with university scientists are regarded as a valuable recruiting aid by both departmental and exempt research groups. They provide readier access to knowledge about prospective recruits and a useful medium for attracting under-graduate and post-graduate students to the government research laboratory. The use of university faculty on selection and promotion boards by the exempt agencies makes it somewhat easier for them to establish and maintain desired links.

60 Contact with other scientists has an importance going beyond its recruiting by-products. It is an important stimulus to scientific research. Contacts with scientists in other research units of the government can be as valuable as contacts with those in industry and universities. There is, however, very little transfer of personnel between the scientific research units of the federal government. A

major barrier is, of course, the division of scientific research organizations into two realms: one governed by the terms of the Civil Service Act, the other reasonably autonomous and independent. There is little transfer, however, even among those units under the jurisdiction of the Civil Service Commission, a state of affairs equally true of non-scientific personnel. Proper allocation of responsibility for personnel management to departments and agencies, coupled with the unifying influence of a central personnel policy and co-ordinating body, both proposed elsewhere in this report, should permit government research to benefit from more planned transfers of scientific personnel.

61 The ratio of support technicians to professional staff is an important aspect of the staffing of scientific research activities. In many areas of federal government research, professional scientists are not adequately supported by technicians and are wastefully spending time and effort on technicians' work. Study of the situation is required to establish the optimum ratio in various research units and programmes.

62 The existing diversity of conditions and of controls under which scientific personnel presently labour in the public service is obviously undesirable. There need not be uniformity in all matters but in its essentials the public service should be a unified public service for scientists, as for personnel generally. The proposals made in this report for personnel management should make a unified public service for scientists feasible while retaining for some, and introducing for others, the desirable degree of independence, flexibility, and responsibility now available only in the exempt agencies.

WOMEN

63 Your Commissioners' staff interviewed women employed in the public service from the most junior to the most senior levels, both

those employed in departments under the Civil Service Act and in exempt agencies and Crown corporations. The education of those interviewed ranged from Grade 8 to university doctorates. The employment of women in the public service was also discussed with male supervisors at the middle and senior management levels.

64 Officially, there is no discrimination between male and female applicants for public service employment. The same application routes, examinations, interviews, and pay scales apply to both. Subtle differences do, however, appear in practice. There is less effort to attract women at the university recruiting level. For a position in an outpost station where accommodation might be limited, or for one involving supervision of male labour, a woman with equal qualifications, experience and examination results will lose out to a male applicant on grounds of "suitability", even though no indication is given in the advertisement that only male applicants will be considered. Similarly, it has happened that women have been rejected for particular positions because of a travel requirement, although this seems rather difficult to justify today.

65 Officially, there is no discrimination against women in the classification and pay systems of the public service. In practice, the pay discrimination against women existing in the private sector tends to be reflected in the public service. The federal government is, for instance, the largest single employer of nurses in Canada. A nurse in the federal service reaches a maximum at Grade 3 of \$4,200 per year. In contrast, a male hospital orderly (who is trained on the job) may reach a maximum of \$4,500, a hospital cook a maximum of \$4,500, a hospital storeman a maximum of \$5,200.

66 Women tend to benefit from fewer training opportunities in the public service than do men of comparable abilities. Relatively few women participate in the Civil Service Commission training courses in office management and supervisory skills. In only a few cases have women participated in the Senior Officers' Training course. In each case, the departments have the onus of nomination and have tended to shy away from nominating women for a number of reasons, including the limited accommodation available.

67 There are few cases of women being appointed to senior levels of management. The evidence is that women with the necessary qualifications, experience and ability do not receive equal consideration with men for such appointments. This is particularly true for positions involving the supervision of men. All of this is reflected in the fact that relatively few women in the public service receive more than \$5,000 per year and only a handful earn more than \$10,000 per year. In a few departments, women have risen to senior levels in professional classes: a leading astronomer, an architect, and a civil engineer being typical examples.

68 The government as an employer has, on the whole, discriminated against women less than have most employers in commerce and industry. On the other hand, it would be to its advantage were it to make more effective use of the talents and qualifications of women because of the wide range of employment opportunities which are suited for women. It should prudently experiment with job assignments, and training and development principles, to end the waste of abilities and qualifications well suited to those intermediate and senior positions for which talent will be increasingly scarce in future.

6

EFFECTIVE PERFORMANCE IN THE PUBLIC SERVICE

HEALTH SUPERVISION AND ABSENCE CONTROL

Accident Prevention

1 Work accidents to government employees have been on a rising scale in recent years, with the accompanying personal suffering, dislocation of work schedules and staff arrangements, and, of course, heavy financial cost to the Treasury.

2 This summary of the state of accidents in departments and agencies taken from the Safety Manual published by the Department of Labour points up the need for a more aggressive programme of accident prevention in the federal public service. Accident prevention is a normal function of operational management, and a good accident prevention programme is an essential part of efficient administration in any organization, industrial or governmental. Yet the federal government has a poor safety record, and apparently no effective management action is being taken to meet this problem.

3 The Employees' Compensation Branch of the Department of Labour publishes a comprehensive annual report of occupational disabilities suffered by government employees. The 1960-61 report, like those of earlier years, is a sad catalogue of accidents in the public service. (The report does not include the Armed Forces, Trans-Canada Air Lines, Canadian National Railways, or the Bank of Canada.) Nearly 18,000 compensation cases were settled during the year, although a substantial number of these related to accidents which occurred in earlier years. Some 298,000 days were lost due to accidents, including 102,000 lost-time days due to fatalities and 88,000 lost-time days due to permanent disability.*

4 The types of injury suffered by government employees, as shown below, are like those sustained by any industrial group of employees. Public servants cannot, therefore, be considered for safety purposes as a special population different from employees in the private sector. Statistics presented in the

*Calculated in accordance with the American Standards Association basis of 6,000 lost-time days for each fatality or each permanent total disability, and a proportionate number of lost-time days for each permanent partial disablement.

1960-61 report of the Employees' Compensation Branch reveal the following situation:

<i>Types of Injury</i>	<i>Number of Cases</i>
Bruises, contusions and abrasions.....	6,990
Cuts, lacerations and punctures.....	3,477
Strains, sprains, twistings and wrenchings.....	2,743
Ear and eye injuries.....	1,520
Scalds and burns.....	511
Fractures.....	510
Crushes.....	211

<i>Causes of Injury</i>	<i>Number of Cases</i>
Struck by objects.....	4,790
Falls and slips on level.....	4,158
Over-extension through lifting or moving.....	1,891
Striking and stepping on objects.....	1,696
Inhalation, absorption, asphyxiation.....	1,467
Caught in or between objects....	1,091
Falls and slips to other levels....	922
Bites and stings.....	544
Burns.....	309

5 The cost to the government of compensation for accidents during 1960-61 was \$1,199,377. An additional \$817,915 was paid out for claims established in earlier years. The total, \$2,017,292, does not include the federal government's share of provincial compensation costs nor the administration costs of the Employees' Compensation Branch of the Department of Labour. With the addition of costs in these categories, some \$400,000, the direct costs of accidents in the public service of Canada for the fiscal year 1960-61 amounted to approximately \$2,500,000.

6 Approximately one in every thirteen public servants filed a disabling accident claim during the year, as compared with one in every thirty-seven employees in private industry in Ontario. Comparison of the accident frequency rates of government departments and agencies with averages reported by the National Safety Council of the United States for industrial companies in the United States and Canada reflect very clearly the

high incidence of accident time losses in some government departments. Even so, reporting methods favour government departments: government figures include compensation cases only, injured employees returning to work before completing the statutory waiting periods for compensation—two to four days—not being included in the calculation. National Safety Council figures, on the other hand, include all injuries where the employee is not able to report for duty on the following day or next regular shift.

7 Your Commissioners observed that there is no comprehensive safety programme for the public service. Small areas of exception exist where stringent safety regulations are in force, for example, in armament depots. In general, there are few safety officers. Safety assignments are usually part-time functions only and consist of responsibility for completion of compensation claim forms. There is virtually no evidence of continuing active support by senior levels of management or supervision for accident prevention programmes. No common procedure for investigation and review of serious accidents has been established.

8 The Employees' Compensation Branch of the Department of Labour is the only agency in government concerned with the creation of an effective accident prevention programme in the civil service. This Branch employs twenty-one people, including one safety adviser. In addition to maintaining and publishing detailed and comprehensive accident statistics, the Branch also produces a safety manual and numerous booklets on specific aspects of safety. This material appears to have had little impact.

9 Under the Government Employees' Compensation Act, the Minister of Labour: "... may promote and encourage accident prevention activities and safety programmes among persons employed in the Public Service of Canada." The Employees' Com-

pensation Branch endeavours to promote accident prevention but, while some progress appears to have been made, there is considerable room for improvement. The Compensation Branch has determined from records and surveys that eight departments should engage full-time safety officers to implement accident prevention programmes. A comprehensive safety policy has been drafted but the Compensation Act does not authorize the Minister of Labour to require departments and agencies to implement safety activities. The accident statistics of government and the apparent apathy about accident prevention clearly demand a stronger approach and more vigorous action at the earliest possible moment.

Sick Leave

10 For the classified civil service, sick leave policy is described as follows in the Civil Service Regulations issued by the Governor in Council March 27, 1962:

Each government employee, under Civil Service regulations, may be allowed up to 15 days' sick leave yearly, of which seven days uncertified, or so-called "casual leave", may be taken during the year without a medical certificate. A medical certificate must be provided for absences of more than three days' duration, and for absences of any duration if the seven days of uncertified leave have been exhausted . . . Unused sick leave credits are accumulated from year to year during the employee's period of employment.

11 It is a popular policy. Those who have accumulated much sick leave are happy in the security they have built up. Irresponsible employees are happy with the holiday benefit that abuse of the plan makes possible. Many civil servants feel that the present policy protects them from supervisors who might deny justified sick leave.

12 Central control is exercised through the Civil Service Health Service (Certificate Division), located in the Department of National Health and Welfare, which checks all medical certificates for errors of omission, the amount

of leave relative to disability, the application of policy and other pertinent matters of medical follow-up. Before the new Civil Service Act became effective, the Civil Service Commission checked all sick leave granted in excess of one month with pay, and of two months without pay. Further checks on prolonged absences were made by a committee composed of a representative of a department, the Treasury Board, the Commission, and Health Services Division. The regulations allow an employee to borrow on sick leave credits in advance up to a maximum of fifteen days. Regulations under the new Act require the Commission to authorize sick leave in excess of three years only and the policy of relating pre-retirement leave rights to unused sick leave is discontinued.

13 Under separate regulations of the Treasury Board, sick leave entitlement to exempt employees (mainly in the prevailing rate categories) generally accumulates at the rate of one-eighth of the hours worked in a standard working week, and the first day of absence is not paid. Salaried exempt positions, under Treasury Board regulations, usually enjoy sick leave privileges similar to those for the civil service.

14 A medical certificate is required under the sick leave plan for absences of over three days or after seven days of uncertified leave during a calendar year. The frequency of absences of less than three days throughout the civil service is not known because there is no central statistical record of sick leave for these shorter periods. With no supervisory control over short-term sick leave absences and no central statistical records of such absences, the true cost of sick leave for the public service cannot be calculated. Industrial experience makes it evident, however, that short-term absences can be much more costly than longer term absences, in direct payroll costs and through the indirect effects on employee morale and the relationships between employees and supervisors.

15 Sick leave policy and administration in the public service focuses on equity and appears to equate equity with uniformity of treatment. This uniformity is achieved by central regulation and by wholly removing the supervisor from any discretionary influence or any concern with sickness absence. It has the accompanying effect of creating in some sectors of the public service an excessive concern with sick leave entitlement as a right almost independent of need. It runs counter both to practice outside the public service and to the lessons of a substantial body of experience in industry. The latter indicates that, guided by appropriate policy and by the needs of each individual case, responsible supervisors can combine equity with a proper concern for performance. Major payroll savings and marked improvements in morale and efficiency could be achieved in the public service with a wiser approach to sick leave policy.

Health Services

16 Medical and health services for employees are provided by the Civil Service Health Service Division of the Department of National Health and Welfare under authority of the governing Act, which describes as one of the functions of the Minister "the promotion and conservation of the health of civil servants and other government employees." More explicit authority is given by Order in Council P.C. 3686 of May 24, 1945, which directs the Department to provide certain health services, including the following:

- a health counselling and clinical service for attention to emergency illnesses;
- medical guidance and information to all departments of government; and
- assistance generally designed to help the health development of civil servants.

17 Since the first health units were opened in Ottawa in 1947, the basic concept and

policy has not changed materially, although facilities have been enlarged and improved. It is primarily an Ottawa area service, although outside the Ottawa-Hull area some advisory health services, including medical examinations and immunization, are available to departments by referral to the medical divisions of departments such as Veterans Affairs, Health and Welfare, and Citizenship and Immigration. The health unit service available in the Ottawa district serves approximately 37,000 government employees, about one-quarter of the total of salaried employees of departments throughout Canada.

18 The service now covers three broad areas:

- a nursing counsellor service, through twenty-four permanent health units and four part-time units located in various government buildings in the Ottawa area;
- special advisory services to departments of government in all matters relating to health, including advice on health and environmental conditions in government buildings;
- review of medical examination reports in support of applications for employment, sick leave and superannuation.

19 These services are directed from the Health Centre in Ottawa by a chief medical officer and five medical officers. The staff includes one psychiatrist, one psychologist, one supervisor and one assistant supervisor of nursing counsellors, twenty-four nursing-counsellors, one laboratory technician, two x-ray operators and twenty-four non-professional personnel in various administrative and clerical capacities. Special diagnostic facilities are available at the Health Centre, including x-ray and clinical laboratories. The service is primarily diagnostic and consultative, and policy is not to interfere in any way with services normally rendered by medical practitioners in the community. Treatment is restricted to emergency medical and surgical

care of minor conditions to keep employees on the job and reduce absenteeism. Further treatment or investigation of health problems is referred to the appropriate resources in the community.

20 As part of its basic advisory service, the Health Centre arranges for special examinations, including examinations to determine suitability for continued employment and pre-employment medical examinations. It handles the review, processing and interpretation of medical examination reports submitted on personnel proposed for permanent appointment, promotion, re-assignment, or posting to isolated stations or abroad. It reviews and analyzes all medical certificates of disability for sick leave and retirement purposes. It produces and distributes health education pamphlets and posters and, on request of the departments, it investigates working conditions and other matters which might have a bearing on the health of employees.

21 The staff psychiatrist assists departments in handling mental health problems, including those of alcoholics. Health Unit nurses in the departments are counselled by the psychiatrist in methods of handling simple cases on their own. In addition, training programmes for the nurse-counsellors provide for case studies and discussion of immediate problems along with techniques of counselling and interviewing.

22 The staff psychologist offers a companion service to departments. It includes the administration of aptitude and skill tests, employee counselling on work environment and personal problems, and evaluation of employees assigned or proposed for assignment to special positions, isolated regions and overseas posts. Requests for the psychological service may be made by the departmental supervisor or personnel officer, the nurse-counsellor, the employee or the psychiatrist. The case load has been heavy for the limited staff available.

23 The health units in the Ottawa area are small, self-contained clinics with one to four nurses, depending upon the size of the work force served. They are located throughout the area, with one unit for every building housing 600 or more employees. They render first-aid for sickness and accidents and offer health education programmes and counselling services. The quality of the services rendered is reflected in the extensive use made of the units by employees. The staff is experienced, dedicated and enthusiastic. Field supervision through an inspection system appears to be adequate and frequent meetings are held to keep the nurses well informed. Good communication is maintained between the units, enabling the nurses to keep track of problem cases transferred from building to building, or department to department. In some departments there is good liaison with individual supervisors and personnel officers. Two booklets, outlining the nature of the service to employees and the assistance it can provide for supervisors, have been published. The growth of the counselling function of the nurse-counsellors reflects the absence of any similar service from departmental supervisors or personnel divisions in many departments.

24 As part of the investigation of health services for government employees, a special inquiry was made into the problem of alcoholism. An intelligent approach and well-founded programme for dealing with this problem has been developed by the Civil Service Health Service Division, in close co-operation with the Alcoholism Research Foundation, which is sponsored by the Ontario Government and maintains an office in Ottawa. The programme adopted involves active participation by supervisors, the Health Centre, its psychiatrist, and the Foundation. As long as the patient co-operates in the treatment programme no disciplinary action is involved, but when special action is felt to be required, the Foundation or the psychiatrist so recommend.

25 The problem of alcoholism in the public service is difficult, but no more so and no more prevalent than in industry. The policies and programmes adopted by the civil service are excellent, as is the involvement of the Foundation, but some departments are not co-operating fully.

MORALE AND PRODUCTIVITY

26 “Morale”, the attitude of employees towards the objectives of an organization and the degree of their willingness to help achieve those objectives, can be maintained at satisfactory levels throughout an organization as large, as dispersed, and as complex as the federal public service only if it receives continuous effort and attention. The inherent difficulties of creating and maintaining good morale in such an organization are compounded in this case by the control systems under which the public service labours—by the control regulations and procedures themselves and by the way in which they remove real responsibility from the places where it should be held.

27 Essential to satisfactory morale is an appreciation and acceptance of objectives by the members of each work group. This understanding must be achieved either by some form of participation in the setting of objectives, a very difficult thing to achieve at most levels in the public service, or by effective communication, a process to which very little thought and effort is given in most parts of the public service. Morale also depends on how the individual views his own efforts or the accomplishments of his work group in relation to the achievement of the objectives of his department. The total size of the federal public service and the size of many of its individual units often make it difficult for the individual to relate his work to the total effort.

28 Understanding of objectives is far more common at the top levels in any organization

than at the bottom, either because of greater participation in setting the objectives or of the easier communication possible among the smaller groups at the top. Morale and productivity tend, therefore, to be related to job status and, at the same time, to be higher in field units, which are smaller and often deal with the public, than in headquarters groups. Departments and agencies whose work brings them into direct contact with the public or industry find it easier to achieve understanding and acceptance of their objectives than others whose purposes are less clearly related to public service.

29 A hindrance in the public service to understanding and acceptance of the organization's objectives is the central control agencies, whose existence is often viewed as an obstacle to achieving departmental objectives. Frequent apparent conflict between departmental objectives and the demands of the control agencies, backed up as they often are by statute, creates confusion as to the real objectives of government. Such confusion inevitably has a negative effect on morale and productivity.

30 No comprehensive attempt has been made by the public service to evaluate either morale or productivity. Individual departments or agencies have shown sporadic interest and have made occasional limited efforts to assess them. The assistance of the Management Analysis Division of the Civil Service Commission has been sought to improve productivity. This Division has, however, been able to reach only about twenty-five per cent of the public service in its fifteen years of existence, and the major part of its work has been on systems and organization. Work measurement and the development of standards have, in general, been only incidental. There is, therefore, no reliable gauge of morale and productivity on a broad scale in the public service.

31 Wide variation in morale and productivity

ity was observed. The rank and file government employee seems reasonably satisfied with his lot. On a normal day he does not work very hard because, as far as he can see, he is not expected to work hard. On the abnormal day, when there is an emergency, or when for some other reason he can see that more is required of him, he does not hesitate to work harder. Compared to private business and industry, with its greater emphasis on high individual output, the output of many government employees is somewhat low. However, there is little or no evidence to justify the stereotype of the government employee as a "drone" devoted to the preservation of "red tape" and the avoidance of work. When productivity is low it can usually be attributed as much to the system as to the individual.)

32 The usual image of the public servant is nowhere more inaccurate than in the case of the more senior departmental officials. They are usually men of considerable ability, often beset by frustrations and hemmed in by regulations. In comparison with their counterparts in the private sector, they are not well paid. They labour as hard as any overworked business executive and display as much initiative in solving problems. However much they may vary in their knowledge of management techniques, or whatever the quantity of paper and time they must devote to satisfying the control agencies, they are, collectively, productive managers.

33 Research scientists in the public service constitute an equally striking exception to the popular stereotype. Research scientists usually enter the public service with strong personal motivation, almost a dedication to the field of scientific research. The nature of their work is such that there is considerable scope for self-direction, and they have less difficulty in identifying objectives either for their own work or for the programmes of the research unit of which they are a part. It is not surprising, therefore, that morale and

productivity among the government's research scientists were found to be, in general, good.

34 Research scientists in the public service do, however, find some frustrations in their work environment and some reasons for dissatisfaction. In some cases, morale is adversely affected by excessive control, either in administration or in the conduct of the research work itself. This tends to be somewhat more common in the research organizations subject to detailed regulation by the central control bodies but is not confined to them. Morale of the research scientist depends on professional recognition, both for the research organization of which he is a member and for himself as an individual. Federal government research institutions do, in general, have a reputation among scientists which meets this need but their professional standing is not uniformly high. Many scientists feel that scientific research does not have the status it deserves within the public service, but this is a complaint which scientists outside the public service often have within their own organizations. More effective publicity for their achievements might prove an adequate answer.

35 At the other limit of the scale there is a veritable army of clerks, maintenance staff and others in the lower echelons of the administrative organization. Here, the clock-watching, pay-and-benefit-oriented viewpoint is more common, just as it is in business and industry. There is no clear understanding and acceptance of organizational goals, nor is there as much incentive to produce as usually exists outside the public service. In some small field units where there is day-to-day contact with the public there does, however, appear to be strong "customer orientation" and a real desire to give service.

36 There is a growing need in the public service for supervisors and managers to be aware of and sensitive to the levels of morale

and of productivity of their employees, both as individuals and as working groups. Standards of performance are important, but not in themselves the full answer. Outside employers have begun to experiment here and there with techniques for measuring employee morale and employee attitudes as guides to effective management action. There is room for similar experimentation in the public service. Quantitative analysis techniques have not yet, however, been developed to the point where they can be substituted for the sensitivity and perception of the skilled supervisor. Competent, well-trained supervisors, working with adequate authority, understanding and policy guidance can make the most important single contribution to the morale and productivity needs of the public service.

37 Social science research into the factors affecting productivity is now under way on a significant scale in the United States and some other countries. Little, however, has been undertaken in Canada, certainly little by comparison with the government's programmes of physical and biological science research. Improved managerial knowledge of the factors which influence employee morale and productivity is of such importance to the public service that it could well afford to undertake its own studies. Long-range research in this area should be a responsibility of the proposed Personnel Division of the Treasury Board.

EMPLOYEE COMMUNICATIONS

38 The problem of employee communications is complicated by the numerical size and geographical spread of employee groups. The Civil Service Commission and the departments are concerned with the need for a formal employee communications system. Administrative communications are carefully channelled through the recognized and respected chains of command; indeed, the Commission and many of the larger departments have branches set up solely to handle the

communication of administrative policies. Uniformity in the application of policy and the implementation of procedures have become almost a fetish, so much so that regulations are prepared to meet almost every situation, not least administrative questions affecting personnel. Efforts to ensure uniformity are, however, a poor substitute for effective employee communication. In fact, they tend to isolate employee groups and to discourage effective service-wide communications. They may formalize and rigidify communications by means of procedures and regulations which discourage departures from the norm. One result is to make communications an impersonal process.

39 An important reflection of inadequate communications is the near absence, except to a limited extent at the most senior levels, of a sense of common objectives for the public service as a whole. There is a widespread tendency among public servants to focus on their own departmental responsibilities without regard for the needs of other departments. This is illustrated both by competitive efforts to acquire scarce personnel and by equally assiduous efforts to unload undesired employees. Lack of appreciation of common objectives is nowhere more evident than in the relations between control agencies and the departments. All too often they smack of a series of bargaining positions between two parties having different objectives and premises.

40 Often the Civil Service Commission, in its role as a central control agency, communicates directly with employees on subjects such as examinations, appointments and appeals. When it does, it completely bypasses the supervisor—an undesirable practice. In one area, classification, it does attempt to communicate through departmental management, but this eminently correct approach fails to be effective because there has been no adequate education of departmental officials in the intricacies of the classification system.

Consequently, employees with questions about reclassification of their positions often cannot get full and proper answers and supervisors, rather than attempt explanations, often shrug them off as the responsibility of the Commission.

41 Employee communication programmes within departments tend to be fragmentary and in no way linked to a co-ordinated common plan for the service as a whole. Such induction programmes as exist tend to be focused on the departmental job, with no attempt to provide perspectives on the work and shape of the whole public service. Proper orientation programmes can be invaluable for both the narrower and the broader purposes. New employees in all departments should receive them, through induction interviews with supervisors or personnel officers, in group meetings, or by some other effective channel.

42 In normal supervisor-employee relations, periodic evaluation of the employee for performance rating purposes, for salary adjustment action, and for appraisal of training and development needs, provides a valuable opportunity for employee communications. This opportunity is not followed up in the public service. Performance by the individual has little relation to the automatic salary adjustments he receives. His supervisor's opinion of such performance is of little importance, and promotion is likely to depend at least as much on his own initiative as on that of his superior. Management development in a planned sense is very rare.

43 While there are serious shortcomings in the employee communications programmes and techniques of the departments, the same criticisms can be directed at many outside managements. Indifference to employee communications' needs and ignorance of methods available for meeting them can be found outside as well as inside the public service. There is, however, one difference which is basic. In most large business organizations, often be-

cause of labour organization pressures, a well-developed programme of employee communications exists and the necessary central co-ordination and leadership are given to such programmes. There is a need to fill this gap in the public service.

GRIEVANCES AND APPEALS

44 The National Joint Council, which brings together departmental management and staff association representatives, is a part of the existing personnel machinery that should provide a medium for effective communication with employees. Today there seems to be little or no formal communication of the subject matter of Council discussions to employees, even in those departments having representatives on the official side of the Council.

45 Effectiveness of supervision, high morale and productivity, and good employee communications are all furthered by a proper method of handling employee grievances. Throughout the public service, insufficient attention has been given to this area and, even where considerable wisdom has been shown, appeal rights' procedures have unhappily complicated the picture.

46 In the new Civil Service Act the word "grievance" is mentioned for the first time. It gives the Civil Service Commission the power to make regulations prescribing the procedure for dealing with grievances. It is not surprising, therefore, that few departments have had a formal grievance procedure. Having no criteria for distinguishing between group and individual grievances, between substantive issues, interpretative issues and plain "beefs", departments and even units of departments have tended to deal with grievances according to their own particular philosophies and circumstances. Often employees, influenced by the role of the Civil Service Commission in appeals, go directly to one of its officers when they feel they have a grievance.

47 Informal grievance machinery has emerged in some departments. Such informal machinery may be set in motion by a complaint lodged orally and be followed by reviews with supervisors, perhaps by review with a standing or *ad hoc* "grievance" committee. Staff association representatives may be involved in these review processes. Finally, if the matter is not settled, a staff association may deal directly with the deputy minister. Some departments introduce six steps or more. Few have less than four. The specific length of time between each step is usually defined. In a few departments, unsettled oral grievances are processed by departmental or local joint councils, and if the employee or staff association is not satisfied, a formal request is made in writing to headquarters to intervene. Where no formal grievance machinery exists, which is the situation in most departments, a degree of uniformity of treatment prevails at headquarters, but not in field units.

48 In departments where formal grievance procedures exist in local units, procedures often become informal when the matter reaches the senior management of the department. Where formal grievance machinery exists, deliberate efforts have been made by management and staff associations alike to streamline the procedure and to develop "grievance" jurisprudence. Employee manuals treat the subject in great detail, indicating the importance of training staff in handling grievances. In such departments, a grievance is considered an opportunity for management to take a positive approach to individual problems and to find adequate solutions.

49 Employee manuals usually state or imply that it is important to prevent the "bottling up" of grievances. To minimize hesitation through fear of supervisory resentment and reprisal, the Northern Affairs and National Resources manual says that: ". . . a complaint made in good faith by an employee should not affect his standing with his

supervisor or reflect on his loyalty to the Department . . . all employees will be assured freedom from interference, coercion, discrimination, and reprisal in filing grievances, providing the proper procedure is secured". In similar vein, the Department of National Defence manual "considers it important that the grievances of its civilian employees be considered expeditiously by responsible officers and that, whenever it is possible to do so, justifiable grievances be resolved at the local level."

50 A major problem, even in departments with formal grievance procedures, is the right of "appeal" to the Civil Service Commission. There is little or no consistency either of machinery or of "jurisprudence" between the "appeal" grievance, which is settled at the level of the Commission, and any other grievance which does not go beyond the level of the deputy head.

51 The Civil Service Act provides for appeals in a wide range of situations, most of which in practice outside the public service would be covered by ordinary grievance procedures. Civil servants may appeal to the Civil Service Commission in cases where they have not been selected for promotion or transfer, whether the selection was made by competition or otherwise. They may appeal against the recommendation of their deputy head that they be demoted or suspended for misconduct or incompetence and, where a complaint has led to an investigation which convinces the deputy head that they should be dismissed, they may also appeal. They may appeal, too, against any decision of the deputy head to withhold a regularly scheduled salary increase.

52 In most such cases, "appeal" is a misleading designation. The deputy head is usually acting only as the agent of the Commission, and what is involved is essentially an administrative review. Only in the case of appeal against the results of a Commission

examination for appointment is decision of the Commission itself actually being appealed. It is not surprising, therefore, that the appeals procedure has every appearance of putting the deputy head and the department in the dock for trial. The procedure usually calls for the department to submit a written defence of its action or proposed action to counter the arguments made by the appellant. Under the provisions of the new Act, the formality is enhanced by permitting the appellant to employ staff associations or other counsel.

53 When an appeal is filed with the Commission, the first requirement is that the Commission satisfy itself that there are reasonable grounds for appeal and that the appellant has followed the procedural rules. Subject to this, and there is usually a liberal interpretation of what constitutes reasonable grounds, the Appeal Division must act, and the Commission almost invariably follows the recommendations of the Appeal Board. Of the large number of appeals filed, only a relatively small number are upheld, thereby suggesting that existing rules fail to restrict the number of frivolous appeals.

54 The existing appeals system has many drawbacks. The delays are notorious and often throw serious obstacles in the way of departmental performance. The threat of appeals and their attendant delays undoubtedly often dilutes managerial decisiveness and results in action which good administrative judgment would reject. Given an adequate grievance procedure, it seems almost certain that the need for any such formal and judicial review process could be limited to a very narrow field.

SERVING THE PUBLIC

55 Many public servants serve the public directly, either in the course of daily performance of their duties or occasionally when some special problem arises. The public is

often critical of the service received. Complaints include allegations of incivility, inefficient and lackadaisical performance, and frustrating and time-consuming procedures.

56 The majority of government employees who meet the public face-to-face in the course of their work are in the lower grades, mailmen, wicket clerks, stenographers, customs and immigration officers, elevator operators, guards, toll collectors, and the like. This is the case in the private sector as well, but most private companies compete for customers while the government does not. Citizens can choose between one private company and another when they buy toothpaste, permanents, or gasoline, but they have no such choice when it comes to making customs returns, collecting unemployment insurance, or mailing a parcel. If the government wishes to serve the public well, it must select employees with care and see to their proper training and indoctrination.

57 There is little evidence that present selection procedures take much account of the special qualifications required by employees who will meet the public. In fact, little or no assessment of personal factors like patience, tact, diplomacy and skill in dealing with people is normally attempted until after an employee has been on the job for some time. There is no established method for interviewing or checking references for such personal qualities or mental alertness. Sending out "No. 65" on an eligible list and hoping for the best scarcely meets this need. Where there is patronage in initial appointments or where seniority is given weight, the difficulty is intensified.

58 The public servant who meets the public in the course of his work is a powerful influence in government public relations. Yet he is seldom trained to fill this role. On average, he is unlikely to pick up either adequate skills or the most appropriate attitudes from experience on the job alone. There are some

exceptions. The Post Office does provide a minor training programme for those seeking to qualify for wicket jobs. It consists mainly of familiarization with forms, stamp auditing procedures and similar matters, and includes something on public relations, chiefly by use of a film. In smaller Post Offices, where no public relations services are available, the Postmaster himself assumes responsibility for giving the matter whatever degree of importance he feels it merits. An applicant for a wicket job may have to remain on an eligible list for a considerable length of time before he is assigned to the job, and yet he receives no further training or refresher course.

59 In the Customs Department there is no equivalent to this modest training course. Customs officers are appointed by the Civil Service Commission and trained on the job by supervisors. If the supervisor does not stress the importance of human relations, lack of courtesy and poor handling of problems by customs officers may well result. The situation is little better in the Immigration Branch of the Department of Citizenship and Immigration. In income tax offices, special problems arise which can be intensified by apparent inattention to the front counters. Lackadaisical or careless attitudes, where encountered, usually stem from boredom, frustration and weak supervision. In the R.C.M.P., good public relations are emphasized by giving special coverage in the recruit

training course, the advanced training course, and the Canadian Police College course. Large and small detachments of the Force reflect this concern for public relations and continuing efforts are made to ensure that those who call for assistance or advice receive courteous and prompt attention.

60 Training should equip the employee to answer routine questions from the public promptly and on the spot. It should make a courteous response automatic, including that most important form of courtesy, speed in providing service. Dealing directly with the public includes also contacts by correspondence, in which speed, courtesy and adequate answers are equally important. The Post Office, for instance, handles written complaints effectively, but many other departments are extremely remiss.

61 The public image of a department reflects in large part the success of its employees in their dealings with the public. Poor public relations affect recruitment, upset internal morale and consequently tend to lower efficiency. The R.C.M.P. appreciates that without co-operation from the public, crime detection and prevention would be almost impossible. Public indifference or hostility would create grave difficulties for the Force. It is scarcely less important for the work of many other departments.

7

COMPENSATION IN THE PUBLIC SERVICE— COMPARISONS WITH OUTSIDE EMPLOYMENT

WAGE AND SALARY LEVEL COMPARISONS POLICY, PRACTICE AND STANDARDS

1 Wage comparisons were made between civil service and outside employment by a detailed analysis of: pay levels and the structure of pay in the public service; outside employment data contained in surveys of the Pay Research Bureau, Department of Labour and published reports of the Dominion Bureau of Statistics; private wage surveys; unpublished records and files; the Royal Commission's surveys and interview material. Most comparisons were founded on data reflecting the pay situation at September, 1960 and the comparisons now reported are almost entirely with respect to rates for jobs classified under the Civil Service Act. Some summary observations about the levels of wages and salaries for prevailing rate jobs, Crown corporation positions, and other exempt categories are made later in this chapter.

2 The task of making appropriate comparisons was difficult because of the complex classification system for the civil service, with its 887 classes and 1,827 grades. In some areas,

precise statistical data available for comparisons were scanty, an example being rates of pay for administrative and executive personnel.

Office Occupations (Clerical, Secretarial, and Related)

3 Rates for almost all office occupations at the recruiting level are at least comparable to outside market rates.

4 Comparisons for senior level office jobs are less reliable, mainly due to the greater difficulties encountered in assessing the duties performed. However, available information indicates that civil service rates lag behind the industrial sector for more senior office positions.

5 A large proportion of the civil servants in office classifications is employed in Ottawa and in fifteen other metropolitan areas. Because civil service rates compare favourably, in the main, with industry rates in these cities, civil servants in smaller centres are paid rates in excess of those prevail-

ing in such generally lower wage areas. This premium is partly offset by the higher quality of person the civil service is able to recruit in many smaller areas.

Service and Maintenance Occupations

6 Civil service wage rates for craftsmen, trades, and for service and related jobs are less favourable than those in private industry. The nation-wide rate scale for these employees in the civil service is below average community rates in large centres, but is equal to or better than those prevailing in small communities. (Note—more than sixty per cent of employees classified in these categories work in centres with populations of less than 100,000 as against only about one-quarter of the office employees.)

7 Although the civil service rates for some service occupations (e.g., cleaning services) are well below private industry rates, they are in line with rates paid by service organizations and public institutions, normally the important employers for these and similar occupations.

Postal, Customs, and Immigration Occupations

8 Many of the postal, customs, and immigration occupations (a single group, constituting better than 20% of all employees under the Civil Service Act) have no direct counterparts in industry.

9 Indirect comparisons by the Pay Research Bureau (e.g., letter carrier vs. delivery truck driver and meter reader; customs excise officer vs. police constable) suggest that civil service rates for junior occupations approximate outside employment pay levels.

10 Although indirect comparisons such as these suggest that for senior positions in this group (e.g. higher grades of customs officers) rates of pay in the civil service are lower than

outside rates, several factors favour the civil service jobs. For example, policemen in some communities work in excess of the forty hours per week which is standard for the civil servant; and customs officers and immigration officers are often recruited and employed in small population centres where average incomes are relatively low.

11 Over forty per cent of all employees in occupations peculiar to the postal, customs and immigration services are located in centres with populations of less than 100,000. As a consequence, although rates for these occupations cause some difficulty in recruiting and retaining staff in the larger, higher wage areas, most of the wage rates for these occupations are in line with or better than rates for similar occupations in smaller communities.

Technical (Sub-Professional) Occupations

12 Because of the "catch-all" character of the classes and grades in which many of the technical employees in the civil service are classified, information for making wage comparisons is very sketchy. As an example, the Technical Officer class, originally set up to deal with sub-professional occupations of a technical nature, now encompasses a wide variety of occupations, including some of a professional and some of a clerical nature. Many of these appear to be improperly classified. These groups should be appropriately reclassified and the technical classes properly reorganized because a strong future demand for employees in the technical classes is assured.

Professional Occupations

13 There is far less regional variation in professional salaries than in wage and salary levels for office and for non-office service and maintenance jobs. The market and the salary level tend to be country-wide.

14 For professionals such as engineers and, to a lesser extent, geologists, scientists, economists and statisticians, active competition from industry for personnel tends to set salary levels. The federal government has extensive needs in these areas and has had to ensure that civil service rates are competitive in order to recruit and retain suitable employees.

15 Demand in the outside market for a large group of professionals comes mainly from institutions which traditionally offer somewhat depressed salaries. Included are occupations such as librarians, social workers and dieticians. Here the tendency is for the government to be a wage leader, partly to assure itself of an adequate supply of such personnel and also to maintain proper relativity between their pay rates and those for other professions employed in the civil service.

16 For a third group of professionals, the outside market is either non-existent or so small as to be dominated by federal government employment. Certain agricultural science occupations fall into this group. There is some tendency for civil service rates for these professional occupations to lag relative to other occupations. This is reflected less in starting rates than in the relative speed of salary advancement on the job.

17 **PROFESSIONS IN STRONG MARKET DEMAND.** For these, civil service rates at recruiting levels are as good as or slightly better than private industry rates. This ensures an adequate number of recruits but fails to provide, as industry does, the pay flexibility required to obtain recruits of exceptional talent. The majority of professionals in the civil service advance to the "working level" jobs (usually grade 3) but many may remain there for the balance of their careers. It is at this level that government wage rates compare least favourably with the industrial average, being usually below those in the private sector by three to

six per cent for most occupations. Advancement to the supervisory and senior levels in the professional classes is limited to a few, with rates approximating industry averages. The system lacks elasticity to assure retention of the better-than-average professional. At the most senior levels, government rates fall below the competitive average, (e.g., engineers and economists), thus making it more difficult for the civil service to retain outstanding professionals.

18 Competition from universities and from private industry tends to limit the number of better employees available to the federal government. Increasingly, the competition from other levels of government will also be felt. In a few cases, municipal governments already offer higher pay for some professional posts than does the federal government. Moreover, senior professionals in the public service may seek administrative posts to get better salaries, thus further draining top talent from the professional groups in the civil service. An additional point of interest is that a smaller proportion of civil service engineers reach the most senior level (Engineer 7) than is the case in outside industry. Only twenty-one or 1.8% of the total civil service engineers in grades 1 to 7 inclusive are in the grade 7 level, compared to 2.4% in industry as indicated by the Pay Research Bureau survey, or 3.7% as reported by the Professional Engineers Association.

19 In summary, while civil servants in these professions are paid at rates equal to or slightly better than the average in industry at the beginning or recruiting levels, they tend to fall behind their counterparts in industry as they advance up the professional work ladder.

20 **PROFESSIONS IN WEAK MARKET DEMAND.** In these, civil service rates at recruiting level are sometimes well above the outside market rate for many professional occupations (e.g., social workers). However, pay rates for pro-

professionals at the supervisory or the “working” level are considerably below those paid outside, although required formal academic training and qualifications may be similar. The government has taken some lead in establishing higher rates for these classes, but there is a limit beyond which it cannot go without upsetting market rates important to some public institutions which must compete with the federal government for staff. On the other hand, the long-run supply of competent personnel in these occupations will become limited if pay rates are not attractive and career earnings, prospects do not reasonably compare with those for professions in more active demand.

21 **PROFESSIONS WITH LITTLE MARKET DEMAND.** Civil service pay ranges for these professions, from the recruiting level through to working levels, are the same as those for civil service jobs in professions which are in strong market demand.

22 Although pay ranges compare favourably, the average civil servant in these occupations does not reach his career earnings, potential as rapidly as those in the professions which are in strong market demand. For example, maturity curves (showing mean rates by year of bachelor graduation) indicate that forestry officers and research officers (Agriculture) in the civil service earn less money than their counterparts in engineering classes.

23 It is of importance that career earnings in these professions should compare favourably with others in strong market demand in order that the government may have an adequate long-run supply of such personnel, many of whom are vital to the nation’s productivity.

Administrative Occupations

24 Wage comparisons for these occupations must be established with some reservation

because the present classification system makes difficult the selection of key jobs for comparative purposes and because outside survey data are limited. Up to the level of \$12,500 annually, civil service rates of pay for administrative jobs appear to be roughly in line with industry rates. The marked compression between salary ranges above \$12,500 in the public service leaves no doubt that most senior administrative occupations are paid at rates well below those in industry.

25 Income tax statistics for the 1958 tax year point up the disparities between senior civil servants’ salaries as compared to their counterparts in private industry:

Income Group	Per cent of Total Employees in Income Group	
	Taxable Federal Employees	Taxable Employees of Business
(\$000)	%	%
10-14.9.....	0.7	1.2
15-19.9.....	0.1	0.4
20-24.9.....	0.03	0.1
25+.....	0.02	0.2
Total—Over \$10,000	0.85%	1.9%

General Observations

26 Wage and salary rates for the lower grade positions in the civil service are in general equal to, or better than, those for comparable jobs in private industry. Some disparities appear in salary rates for jobs above these levels, most markedly in senior administrative and professional posts, where the government is at a marked monetary disadvantage in competition with private industry.

- Rates for each civil service occupational class are in general competitive with the private sector at the recruiting level and

usually continue to be up to the “working” level. In a number of areas, however, civil service rates above the “working” level tend to lag behind the industrial sector.

- Over the past decade wage increases for civil servants have paralleled those in the private sector, although adjustments have lagged about two years behind those in industry.
- Between 1939 and 1951, on the other hand, wage increases in the civil service were smaller than those in the private sector. Two factors had an important bearing on this picture: (a) with the increase during this period in the social and economic status of the non-office wage earner, it was inevitable that the civil service, as a predominately white-collar group, should undergo a decline in relative economic position; (b) civil servants entered the war period in a relatively well-paid position because their wage and salary levels were not reduced during the depression to the same extent as those in the private sector. It is only in the last decade that increases comparable to those in the private sector have been necessary to retain parity with the outside market.
- Flexibility in their compensation policies and better methods of salary administration place outside employers in a better position than the civil service to attract and retain the better-than-average employee.
- The civil service follows a policy of uniform, country-wide rates for each job but sizeable geographic rate differentials are found in private industry, particularly in clerical and non-office wage jobs. Because of the use of a standard or national pay policy, a substantial number of civil servants (the proportion varies from one classification to another) are paid in excess of their counterparts in the same community. The reverse applies for employees in a few classifications in high wage localities. Lack-

ing flexibility to adjust to local pay levels, the civil service has in many cases pay rates which are above community rates in some centres, below community rates in others.

- As a result, on one hand, of a fairly rigid ceiling at the top (perhaps, influenced by the level of ministers’ salaries) and, on the other, upward adjustments in pay levels at the bottom forced by recruiting competition, there has been a serious narrowing of the salary differential between senior civil servants and those in the middle and lower ranks. Differentials in the private sector have been increasing, thereby accentuating this compression problem.
- Government salaries tend to be more stable than those in private industry, although stability has been growing in the private sector in recent years, thus gradually eliminating an attraction the public service once had.
- Although in Crown corporations senior executive salaries tend to be somewhat higher, there are few serious pay disparities between civil servants and their counterparts in the corporations. Greater flexibility in rate setting and salary administration does provide the exempt agencies with certain advantages in securing and retaining above-average personnel.
- Because “prevailing rate” employees are paid on the basis of going rates in the communities in which they work, while civil servants are paid at uniform, countrywide rates, there are often pay discrepancies between public servants doing comparable work in the same areas.

EMPLOYEE BENEFITS: COMPARISONS WITH OUTSIDE EMPLOYMENT

27 Benefit plans for the public service are, in general, more favourable to government employees than those found in most private industries. Two facts, however, have to be kept in mind. First, the private sector of the

economy has generally been narrowing the gap during the last two decades. Second, some large employers now offer a benefit package almost as good as that offered in the public service, and a few provide some benefits that are more attractive.

28 The biggest attraction of the public service plans is the provision for pensions. In fact, the superannuation plan of the civil service is so generous as to be an obstacle in the way of desirable changes in the total benefits package. The emphasis upon pensions is so disproportionate as to raise questions about the suitability of the total benefits package to the needs of some employee groups— younger employees with dependents for instance.

29 Public service employee benefits are more attractive than those of private industry in two other important respects. Security of tenure is generally better in government service than elsewhere. However, particularly for technical, professional and other types of manpower in strong market demand, this advantage has been greatly reduced as industry has come to offer comparable security to such personnel. Leave entitlement of various kinds in the public service is also generally more generous than that usually found in private employment. In other benefits and in working conditions, the public service and private industry tend to balance out.

30 Apart from some differences between the civil service and various exempt groups, employee benefits in the public service are generally identical for all levels of personnel. In the private sector of the economy, it is fairly common to find considerable differentiation between the benefits offered to senior level personnel and all other employees. The result is that the over-all benefits for non-

office wage earners and clerical personnel in the public service tend to be more generous than those for similar groups in industry. On the other hand, benefits provided for senior level professional and administrative public servants do not match those available to senior personnel in industry.

31 The extent to which important employee benefits programmes for the public service go beyond those in outside employment seems to be due to the lack of any over-all concept of total remuneration (wages plus employee benefits) as a guide to the development of an employee benefit policy for the public service. It owes something too, no doubt, to the absence of proper costing of public service benefits plans and to the neglect of such costing as an element in benefits policy decisions.

32 Employee benefits plans in the public service are so complicated that many public servants, as well as potential recruits, fail to recognize their value. No adequately effective means exist for informing public service employees of the nature and value of these benefits.

*Civil Service and Industry**

33 LEAVE PROVISIONS:

(a) *Statutory Holidays.* The ten statutory holidays granted to civil servants represent an advantage over industry where the great majority of employees are granted eight or nine statutory holidays.

(b) *Annual Leave (Vacations).* The civil service entitlement of three weeks (fifteen working days) from the start of employment differs from the general industrial practice of granting leave graduated with length of service (one or two weeks after one year of service, rising to three weeks' vacation after from five

*Material for this section is based on an employee benefit survey of the Pay Research Bureau and other published and unpublished data. The description of the provisions for the public service incorporates the changes made by the new regulations issued in conjunction with the revised Civil Service Act of 1961.

to fifteen years of service and, in a few cases, to four weeks' vacation after twenty or twenty-five years of service). The civil servant receives more vacation during the first years of employment but the total leave granted over the entire career is now in line with industrial practice.

The recent provision of an additional week of annual vacation after twenty or twenty-five years of service replaces *furlough* leave which allowed twenty-five (working) days off in one continuous period after twenty years' service.

(c) *Sick Leave.* Sick leave in the civil service accumulates at the same rate as annual leave, that is, one and one-quarter days for each month (fifteen working days per year) but leave commences with the first month of employment rather than the seventh month. Sick leave credits may be carried over from year to year with no limit to the amount which may be accumulated.

In industry, protection against the loss of earnings due to illness is in the form of paid sick leave, sickness indemnity plans or, in the case of some office workers, a combination of sickness indemnity and paid sick leave. Civil servants are more favourably treated than most office employees in industry. Civil servants are much more favourably treated than most non-office employees outside the public service who are covered by sickness indemnity plans.

While a majority of outside office employees are covered by sick leave plans, the civil servant plan has several features which make it distinctly more generous than the normal pattern. The formal spelling out of rights, the absence of a waiting period, and the unlimited accumulation of unused sick leave make the plan decidedly more liberal. This advantage is less apparent over brief periods of service, since informal provisions for granting short periods of sick leave are fairly common in industry. The provision that sick leave is with full pay goes beyond what is available to large numbers of office employees in in-

dustry, who are granted part of their sick leave at less than full pay.

Industry plans for non-office employees commonly provide fifty to seventy-five per cent of earnings after a waiting period, with maximum periods for coverage considerably less than the maximum sick leave credits available to civil servants when accumulations are added. Here again civil servants are much more favourably treated.

(d) *Retiring Leave.* When civil servants leave the service for any reason other than dismissal, resignation or abandonment of position they may be granted retiring leave provided they have been employed for not less than four years. The period of retiring leave is equal to one week for each year of service, to a maximum of 26 weeks. Employees who retire on pension may request a gratuity in lieu of retiring leave. The gratuity is equal to the difference between the weekly rate of pay on retirement and the amount of the pension for the number of weeks of retiring leave to which they are entitled. Employees who resign after four years of service may receive a gratuity equal to one-half week's pay for each year of service, to a maximum of thirteen weeks' pay. This gratuity could be regarded as a form of severance pay to the extent that it is granted on separation for reasons other than retirement.

These retirement leave provisions give civil servants a benefit which goes well beyond normal practice in the private sector. Formal severance pay or retirement leave plans providing up to six months' pay are rare in industry, although they are increasing. Non-office employees in industry, where they receive severance pay, usually receive cash in amounts smaller than the value of civil service retiring leave. Retiring leave in the civil service, for employees who retire because of age or ill health, has almost no counterpart in industrial severance pay plans.

(e) *Furlough or Long Service Leave.* For some, who had earned the privilege prior to the coming into force of the new regulations,

twenty-five days of furlough leave can still be granted, but this privilege will disappear as older employees take up their options or retire.

Furlough leave, as such, is rarely encountered in industry. Graduated vacations providing for a fourth week of vacation after a specified period of service, usually twenty or twenty-five years, are now becoming more common in industry. If furlough leave is regarded as a component of the vacation plan, the effect in total is to give some advantage to civil servants over long periods of service. If furlough leave is regarded as a form of recognition for long service, rather than as a component of the vacation plan, it represents a decided advantage for civil servants. The small number of employees in industry who are granted comparable long service leave, according to a formal plan, usually become eligible only after twenty-five years' service.

(f) *Special (i.e. Personal) Leave.* As the term implies, this form of leave is for special purposes, such as death or illness in the immediate family, quarantine, marriage, and the like. Civil servants accumulate a half day special leave credit for each month of continuous employment. Unused special leave credits may be carried over from year to year, up to a maximum accumulation of twenty-five days. Although an employee may have acquired the maximum credits, special leave as a rule is granted only for short periods. Court leave (jury duty and witness) is granted with pay but is not a charge to special leave.

It is difficult to assess the relative position of civil servants and office employees in industry in terms of paid leave granted for personal reasons. The provision of special leave in accordance with a formal plan and the accumulation of special leave credits are not common in industry. Office employees in industry are often granted leave for personal reasons on either a formal or an informal

basis, but this practice is much less common for non-office employees in industry.

Leave is commonly granted in the event of death in the family and for jury duty for both office and non-office employees in the private sector. Such leave is granted with pay, on a formal or informal basis, to a majority of office employees but not commonly for non-office employees. Paid leave in the event of marriage is granted to a majority of office employees in industry, often on an informal basis, but rarely to non-office employees.

(g) *Educational Leave.* The provisions for educational leave which were a part of the old regulations have not been carried forward into the newly revised regulations. Under the old arrangements educational leave was granted, provided that satisfactory arrangements could be made for the continuance of an employee's work during his absence. Frequently, leave for educational purposes was granted on the basis of leave without pay, but, in certain cases, leave with pay was granted to take a short course which would definitely increase the employee's usefulness to his department. Leave with half pay was granted to assist an employee to do post-graduate work of special interest to his department. All requests for educational leave had to be recommended by the deputy minister of the department concerned and reviewed by the Civil Service Commission.*

Outside practice on educational leave is usually not formally spelled out but it would appear that the public service is on balance more liberal.

(h) *Accident or "Duty" Leave.* Civil servants injured in the performance of their duties through no fault or negligence of their own may be granted leave of absence with pay without deduction from sick leave credits, provided that satisfactory medical evidence is furnished. Injury or duty leave has the effect of insuring that classified civil servants receive full salary rather than the percentage

*The new regulations provide only for educational leave without pay, granted at the discretion of the deputy minister.

of earnings up to specified limits provided by Provincial Workmen's Compensation Acts. These provisions are more generous than normal industrial practice.

The compensation for medical treatment received by an employee and the pension or other payment provided to his dependant in the event of his death is determined by the provision of the Workmen's Compensation Act of the province in which he is usually employed.

(i) *Maternity Leave.* Maternity leave rules in industry and the employee's eligibility for re-employment are comparable to existing civil service practice. Maternity leave without pay is granted by about one-half of industrial employers, often on an informal basis.

34 INSURANCE PROVISIONS:

(a) *Supplementary Death Benefit (Group Life Insurance).* The Public Service Superannuation Act provides a supplementary death benefit which can best be compared with the group life insurance plans which are common in industry. The Act provides for death benefits based on salary up to a maximum of \$5,000. Employees pay 10 cents a month for every \$250 of coverage. After employees reach the age of sixty, benefits decline by ten per cent each year and at age seventy (unless still employed in the public service) employees are no longer insured under the plan (except for a basic benefit of \$500 under certain circumstances).

This equivalent of group life insurance for civil servants is in keeping with industrial practice, but the amount of the employer contribution in industry is normally at least fifty per cent whereas the government's share of the cost is considerably smaller. Formulae for establishing maximum individual coverage vary widely in industry but many office employees participate in plans providing coverage at least equal to their annual earnings. Post-retirement coverage and total and per-

manent disability are provided for in many industrial group life insurance plans. On balance, the supplementary death benefit for civil servants is less favourable than equivalent group life insurance plans commonly available in industry.

The supplementary death benefits in the public service should, however, be viewed together with the survivorship provision in the Public Service Superannuation Act. If an employee covered by this Act dies, either before or after retirement, his widow receives fifty per cent of the employee's pension entitlement at the time of death. The survivorship benefit is further increased for each dependent child to a maximum of ninety per cent of the employee's pension entitlement at the time of death. Survivorship benefits are also paid to orphaned children. These provisions go far beyond anything normally available to employees outside the public service.

(b) *Hospital Insurance.* Civil servants are in the same position as a great majority of employees in industry who are required to pay premiums for provincial basic hospital insurance plans. The position of civil servants is less favourable than about one-half of employees in industry who are covered by supplementary hospital insurance plans under which the employer contributes at least one-half of the cost of premiums.

(c) *Group Surgical-Medical Insurance.* The position of civil servants is comparable to a great majority of employees in industry who are eligible to participate in group surgical-medical insurance plans covering themselves and their dependants. Under these plans the employer contributes at least one-half of the cost of premiums. The major medical expense provision in the public service plan is comparable to those commonly found in industry.

35 PENSION PLAN. The pension plan for the public service represents a substantial advantage in relation to the plans available to employees in industry. While most employees

in medium and large firms are covered by pension plans, the Public Service Superannuation Act provides a number of advantages:

- Participation is automatic, whereas eligibility provisions in many industrial plans specify age or length of service.
- After an employee has made contributions for thirty-five years he ceases to make payments into the plan, whereas almost all industrial plans require contributions up to the date of retirement.
- The pension formula provides two per cent of earnings for each year of service whereas a majority of industrial unit benefit plans have a less generous benefit formula. The earnings' base under the public service plan is the employee's earnings averaged over the best six years of service, thus yielding much higher pensions than would the same percentage of average career earnings. Few employees in industry have pensions calculated against the best years of average earnings. The earnings' base period under the Superannuation Act was changed recently from the "best 10 years" to the "best 6 years", a distinct sweetening of the pension plan, with an accompanying increase in its cost to the government.
- Survivors' benefits under the public service plan are significantly more generous than the great majority of industrial plans. On the death of the husband, the wife receives 50% of the husband's pension plus 10% for each child up to a maximum of 90% of the pension. The pension ceases if she remarries, but is restored should she again become a widow.
- The provision under the public service plan for immediate annuities, without discount for age, in the event of disability, is significantly more generous than those found in most industrial plans.
- There is full vesting of pension rights after five years' service, accrued rights being granted in the form of deferred annuities

36 The rate of employee contribution (6½% of earnings for men and 5% for women) under the public service plan is significantly higher than the most common rate, 5% of earnings, found in industrial plans. This is offset, however, by the provision for cessation of contributions after thirty-five years of contributory service. From the standpoint of the employer, the government, this is an extremely costly pension plan. Its costs and actuarial aspects are reviewed in another report of your Commissioners.

37 WORKING CONDITIONS AND OTHER BENEFITS:

(a) *Hours of Work.* The standard work week in the civil service for administrative, professional, technical and clerical employees is a five-day, 37½ hour week. Clerical staff in departments employing service and maintenance personnel also work a five-day, 37½ hour week. Service and maintenance employees, hospital staff and operating employees in the postal, customs and immigration services, work a five-day, 40-hour week. A limited number of employees—fire fighters and lightkeepers—work more than 40 hours per week. Some employees in customs, immigration and other services may be required to work hours which do not conform to the five-day, 40-hour week.

Civil service hours of work are in line with majority practice in commerce and industry. For example, in Canadian manufacturing, 70% of office employees are on a 37½ hour week while 70% of plant workers are on a 40-hour week.

(b) *Overtime Compensation.* The civil service practice of compensating office employees for overtime work by time off (on a straight-time basis) does not parallel industry practice for the majority of office employees, for whom overtime compensation is in cash at rates equal to one or one and one-half times the normal rate. On the other hand, overtime compensation for operating employees in the civil service is in line with industrial practice.

Meal allowances are not paid in the public service. No time or other travel allowances are paid to public servants required to work overtime. Such allowances are frequently provided for in the private sector.

(c) *Paid Rest Periods ("Coffee Breaks").* The civil service position on this matter is difficult to assess since there is no formal policy and practices consequently vary between departments and units within departments. Nevertheless, the informal method of granting paid rest periods (coffee breaks) to civil servants appears to be roughly comparable to the practices affecting about one-half of office employees in industry. Non-office employees in industry are granted paid rest periods on a more formal basis.

The practice in some parts of the civil service is for employees to go to cafeterias for coffee breaks. Such arrangements are as open to abuse and as difficult to control in industry as in the public service. With many large outside employers an increasingly common practice is to bring coffee to the desks of employees by means of carts. If introduced in government offices, the practice should bring substantial reduction in time lost.

(d) *Unemployment Insurance.* Classified civil servants who earn more than \$5,460 per annum do not contribute to the Unemployment Insurance Fund. After two years of service, contributions cease for any employee if the department certifies that he is expected to be employed for an indefinite period.

(e) *Workmen's Compensation.* Provincial laws governing payment of compensation to persons who are killed or injured or who contract an industrial disease in the course of their duties do not apply to employees of the Government of Canada. However, the Government Employees' Compensation Act provides similar compensation, and on the scale provided for by the Workmen's Compensation Act of the province in which the employee is usually employed.

(f) *Pay Supplements: Shift Differentials.* As a general rule, shift differentials are not paid in the civil service. There are, however, two exceptions to this rule. Employees of the Post Office Department who are required to work on either the evening or night shifts are paid a shift differential at the rate of 15 cents per hour for each night hour worked. A number of employees of the Department of Public Printing and Stationery, who work in conjunction with prevailing rate staff in the printing trades, also receive a shift differential if they work on the regular night shift. The shift differential is 32 cents per hour, equal to the shift differential established for the prevailing rate printers.

Incentive Pay. The class of Senior Transcriber in the civil service represents a form of incentive pay in the stenographic-typing field. Stenographers, typists and machine transcribers (mainly in pools) are paid a single premium rate on reaching and maintaining, for a designated period, productivity standards established for the three grades of senior transcriber. These standards are based on a line-count system.

(g) *Allowances.* In a number of circumstances, allowances related to the duties of their positions are paid to classified civil servants as compensation for work done beyond their normal duties. As such, they are part of the pay structure and not properly considered as employee benefits.

Isolated post allowances of different kinds are paid to employees to compensate for the undesirable social and economic aspects of living in isolated centres. Foreign service officers on overseas assignment are eligible for a variety of special allowances, of which the most important are the basic foreign service allowances and the representation allowance. These vary with rank, marital status, and the post. Administration officers posted abroad have not received representation allowances and there has been some dissatisfaction about the disparity between the two groups.

(h) *Miscellaneous Benefits and Working Conditions.* There are a number of miscellaneous benefits and working conditions in the civil service which have less general application than most of those outlined above:

- Flying accidents compensation.
- Leave for external training (seminars, workshops, etc.), reserve forces training, civil defence training, and attendance at scientific or professional conventions.
- Allowances in special circumstances to cover excessive transportation costs involved in getting to work.
- Comprehensive Civil Service Health Service provided to civil servants in Ottawa. A number of private companies provide more comprehensive periodic medical examinations than are available through this Health Service.
- Provision of uniforms to employees if identification by this means is necessary or desirable from the point of view of work to be performed, (e.g. Post Office, Customs and Immigration Departments).
- Memberships in associations where necessary to carry out the employee's duties or if to the department's advantage to be represented in an association.
- Some subsidization of food services in cafeterias in government buildings and in other eating facilities—although not to the same extent as in some large financial and commercial institutions.
- Travel expenses. These are more restricted and much more detailed and costly in terms of “red tape” than in the private sector.

(i) *Comparative Disadvantage for Certain Senior Officials Regarding Special Benefits.* No differentiation is made between the benefits offered senior-level professional and administrative officials and those for all other civil servants. By contrast, many private companies do provide additional and more gener-

ous benefits for their senior officials. Consequently, benefit programmes for senior-level civil servants compare unfavourably in several important respects with those available to top management in many companies.

In the private sector, senior personnel are frequently entitled to life insurance coverage equivalent to two or three times their salaries; expense allowances and expense reimbursements are less restricted. There are also certain benefits widely available to industrial executives which are completely unavailable to government officials. These include:

- Periodic health examinations.
- Bonuses, stock ownership and savings plans.
- After-tax compensation—e.g., deferred profit-sharing or retirement plans.
- Wide variety of special insurance benefits which have been developed as supplements to executive compensation.
- Perquisites not considered income in the tax sense.
- Opportunities for deriving income from other activities.

Civil Service and Exempt Agencies— Benefits Comparisons

38 A number of civil service benefit plans, but not all, apply also to most Crown corporations and other exempt agencies. The Public Service Superannuation Act (including the death benefit plan), the surgical-medical insurance plan, and the Government Employees' Compensation Act are formal benefit plans applying to a number of public agencies, boards and corporations as well as to the civil service. The usual practice is to exclude from coverage under these plans employees of the publicly-owned industrial corporations such as Polymer Corporation Limited, Canadian National Railways, and Trans-Canada Air Lines. Some of the more

important exclusions from coverage in the plans mentioned above are the following:

Major Exclusions from Public Superannuation Act

Central Mortgage and Housing Corporation
Eldorado Mining and Refining Limited
Bank of Canada
Canadian Broadcasting Corporation
Polymer Corporation Limited
Canadian National Railways
Trans-Canada Air Lines

Major Exclusions from Death Benefit Plan

Canadian Arsenals Limited
Canadian Broadcasting Corporation
Canadian Overseas Telecommunication Corporation
Cornwall International Bridge Co., Ltd.
Crown Assets Disposal Corporation
Defence Construction (1951) Limited
Eldorado Mining and Refining Limited
Eldorado Aviation Limited
Northern Transportation Company Limited
Polymer Corporation Limited
St. Lawrence Seaway Authority

Major Exclusions from Group Surgical-Medical Insurance Plan

Central Mortgage and Housing Corporation
Eldorado Mining and Refining Limited
St. Lawrence Seaway Authority
Atomic Energy of Canada Limited
Bank of Canada
Canadian Arsenals Limited
Canadian Broadcasting Corporation
Polymer Corporation Limited
Canadian National Railways
Trans-Canada Air Lines

Major Exclusions from Government Employees' Compensation Act

Bank of Canada
Trans-Canada Air Lines
Canadian National Railways

(NOTE: Polymer is covered by this Act)

39 A number of the groups mentioned above as excluded from the plans in question do, however, follow voluntarily the main provisions of these benefit plans. In other benefit areas, many of the public agencies, boards and corporations closely follow civil service

practice. As in the wage area, the main advantage which the exempt agencies have is a freedom to adjust benefits and conditions to meet market pressures or other special conditions and needs.

Benefits for Prevailing Rate Employees

40 Employee benefits for prevailing rate employees are somewhat less generous than those for civil servants. However, they are as good as or better than those provided for non-office employees in private industry.

41 The main differences between benefits for civil servants and those for prevailing rate employees are listed below:

Leave Provisions. Prevailing rate employees are granted annual leave on a graduated scale that provides five days per year up to two years' service, ten days per year for two to fourteen years' service, and fifteen days per year for fifteen years' service and over. Civil servants receive three weeks (15 working days) leave from the first full year of employment.

Nine public holidays with pay are authorized for prevailing rate employees as compared to ten for civil servants.

The rate of accumulation of sick leave credits is $7\frac{1}{2}$ days per year for prevailing rate employees as against 15 days per year for civil servants. Prevailing Rate Employees General Regulations also prohibit pay for the first day of absence due to illness, whereas there is no waiting period under the civil service plan.

While special leave with pay may be granted at the discretion of the deputy minister for a number of designated personal reasons, prevailing rate employees do not accumulate special leave credits as do civil servants.

Furlough leave, retiring leave, and gratuities in lieu of retiring leave are not provided for prevailing rate employees. Nor is there general provision for granting leave with pay to prevailing rate employees injured on duty.

Compensation for loss of earnings is limited to the provisions of the applicable Workmen's Compensation Act. The government does not make up any part of the difference between the Workmen's Compensation Act and the employee's normal wages. Sick leave may not be granted to a prevailing rate employee eligible for indemnity under Workmen's Compensation.

Insurance Provisions. Prevailing rate employees are required to participate in the supplementary death benefit plan if, after two years of service, they have been designated as contributors to the Superannuation Plan.

When a prevailing rate employee who is not a contributor to the supplementary death benefit plan dies, after two or more years' service, his widow may be paid a gratuity equal to two months' wages.

The group surgical-medical insurance plan for the public service is available to prevailing rate employees and their dependants on terms identical to those for civil servants.

Pension Plan. Prevailing rate employees become eligible for pension coverage and other benefits under the Public Service Superannuation Act once they have been designated as contributors. Whereas civil servants become contributors and are covered automatically on appointment or after not more than a year of service, prevailing rate employees have no guarantee of being designated, regardless of service. They may be designated as contributors after two years of service (or a total period of 24 months in successive calendar years) if the employing department recommends it to the Governor in Council following review of attendance records, performance, and other factors. An estimated fifty-five percent of prevailing rate employees have been designated as contributors.

Working Conditions and Other Benefits. The hours of work for the majority of full-time prevailing rate employees are 40 hours for a 5-day week, with Saturdays and Sundays as the usual days of rest (without pay).

Prevailing rate employees may be compensated for overtime by compensatory leave or cash payment. The usual practice is to pay for overtime work. For each completed 15-minute period of time worked in excess of normal daily working hours, payment is made at one and one-half times the normal rate. If compensatory leave is granted, it is also at the rate of one and one-half times the amount of overtime worked. There are also special provisions for work done on statutory holidays and on an employee's normal day of rest.

There is no formal policy governing the granting of paid rest periods or "coffee breaks". The practice varies from one department to another and with the nature of the work. Prevailing rate employees tend to be granted rest periods to a lesser extent than are civil servants, partly because many prevailing rate employees work outside shops or offices.

Prevailing rate employees are required to contribute to the Unemployment Insurance Fund, unless they have two years' service and the employing department certifies that they are expected to be employed for an indefinite period. Prevailing rate employees earning more than \$5,460 per annum are required to contribute if they do not meet the above requirements. In general, proportionately more prevailing rate employees are required to contribute than are civil servants.

The Government Employees' Compensation Act applies to prevailing rate employees as well as to civil servants. However, the regulations contain no general provision for the granting of leave for injury on duty to prevailing rate employees. The wages paid are, therefore, limited to the percentages of normal wages and the ceilings provided by the applicable Workmen's Compensation Act. Sick leave with pay may be granted to employees only for periods for which no indemnity for loss of wages is paid under the Government Employees' Compensation Act. No wages may be paid to supplement Workmen's Compensation payments where the

rate of compensation is less than the employee's normal wages or where a waiting period is required by the relevant provincial Workmen's Compensation Act. Where there is no entitlement to indemnity benefits, sick leave with pay may be granted to prevailing rate employees.

Shift differentials, stand-by duty pay, and supervisory differentials are available to prevailing rate employees but not to civil servants. Prevailing rate employees are not generally engaged on shift work, however. A few employees in dry docks and in the printing trades receive extra pay for shift work. Shift workers in the printing trades receive a fifteen per cent differential over their normal rate, to a maximum of 32 cents per hour.

Employees in certain classifications, who are required to be on stand-by duty, may be compensated at the rate of 21 cents per hour of duty on any day that is a holiday with pay, at the rate of 15 cents per hour on any other day. For an emergency call-out during a period of stand-by duty, an employee is granted a minimum of three hours' pay at normal hourly rates, regardless of the number of hours worked.

Prevailing rate employees who perform supervisory duties may be paid a supervisory differential in multiples of 5 cents, up to 30 cents per hour, in addition to the authorized hourly rate for their trade. All proposals to pay supervisory differentials in excess of 15 cents per hour must be reviewed by the Civil Service Commission and approved by the Treasury Board.

General Observations

42 Benefits plans for the public service, taken as a whole, are so complex, there is such widespread lack of understanding of them, and they depart so far in many important ways from practice outside the public service that the whole situation would clearly benefit from:

- a temporary moratorium on the introduction of new benefits or significant modifi-

cations in existing plans to permit a proper over-all assessment of the existing public service benefits package;

- a detailed study of employee benefits both in and out of the public service, with particular attention to types and scales of benefits provided, their coverage, their costs, and the ways in which costs are shared between employees and employers. The purpose would be to develop an over-all benefit package for the public service appropriate both to employee needs and the patterns in the outside market;
- decision that, as a long-run goal of public service compensation policy, salaries and employee benefits should conform more closely to those prevailing in the appropriate labour markets of the country.

43 Employee benefit policy for the public service might be advantageously based upon the following principles:

(a) Acceptance of the concept of benefits as an integral part of total remuneration from the standpoint of the government's employment costs and of their attractiveness to both employees and those to be attracted to the service.

(b) Central policy control and co-ordination for all employee benefits. Different authorities are now responsible for different benefit plans: the Department of Finance for superannuation and death benefits, the Civil Service Commission for leave entitlements, the Treasury Board and the Commission for overtime regulations, and so on. For some conditions of employment (e.g., rest periods) there is no central authority and practice often varies from department to department.

Central policy control and co-ordination would make it clear that employee benefits and working conditions are instruments of personnel policy having the same broad objective as selection, training, classification, and direct compensation practices. It would permit central thinking by the government

as employer about total remuneration and would permit some balanced thinking about the various parts of the programme, perhaps even providing some scope for informal trading and bargaining.

(c) Reasonable balance between benefits provided and the government's contribution to their costs. Excessive expenditure on any one benefit creates difficulties in adjusting other benefits which may be more advantageous to both the employer and the employees. The public service superannuation plan is an excellent example of a benefit programme which costs the employer so much as to create difficulties in taking on added benefit costs in other areas, even though they may be desirable. For example, death benefits provided by the Superannuation Act might be achieved at less cost and more usefully (particularly for shorter service employees with important responsibilities to dependants) through greater group life insurance coverage.

(d) Maintenance of a pre-determined relationship with the level of employee benefits in private industry. Where public service benefits now greatly exceed normal levels outside there are formidable obstacles to reducing them, to correct the disparities. As a practical matter, it may be wiser to wait for benefits in industry to reach present public service levels, taking good care in the interval not to perpetuate the present relationships.

(e) Development of a benefit programme having the greatest appeal to the largest number of employees. This requires conscious avoidance by policy-making officials—generally long-service employees—of any tendency to assess the desirability of benefits

programmes in terms of the interests of their own age and earnings group.

(f) Recognition that different benefit programmes may be appropriate to different occupational groups. Just as industrial practice suggests different wage patterns for different occupational groups, so it also suggests differences in the pattern of benefits. If it should be decided to provide uniform benefits for all classes in the public service, presumably some offsetting modification in rates relative to outside rates becomes desirable for particular occupational groups.

(g) Recognition of the value of simplicity in employee benefit plans. Unless the benefit programme in total and the characteristics of each benefit it provides can be understood by the employee, it may be of less employee-relations value than a simpler programme costing less. It is therefore noted that it is traditional in the public service to use complicated regulations and directives. Attempts to meet every possible contingency have led to such complexity that many employees do not understand what benefits they have. Some measure of administrative discretion would meet needs more simply and just as equitably.

(h) Recognition of the value of an effective programme to inform employees about benefits and their value. Employee benefit programmes are designed to meet competition in the market and to contribute to morale and productivity. Many private employers have found that informing employees of the nature and value of the benefit programmes they have is an insignificant cost item and that it contributes to satisfactory employee relations.

8

COMPENSATION: POLICY AND ADMINISTRATION

1 It is by no means easy to develop an adequate wage and salary policy for any institution, private or public. Pay determination is not amenable to any scientific or mechanistic approach. The factors involved are complex and their significance is continually changing with circumstances and market pressures. While market prices set the limits of wage policy, changing political, administrative and social influences affect the determination of a particular wage rate.

HISTORY OF PUBLIC SERVICE PAY POLICY

2 The history of modern compensation policy in the Canadian civil service dates from the report of Arthur Young and Company in 1919. Although the emphasis in this report was on classification and salary structure, the Report of Transmission declared the following principles on general pay policy:

- Rates of compensation should be uniform for the same rank.
- Rates of compensation should be relatively right for different classes. Within the same vocation, trade or profession, this relativity was to be measured by differences in duties, respon-

sibilities, experience, knowledge and skill. In the case of classes of positions in "different fields", this means that they should bear the same relation to classes of positions in other fields that have been established in the "business world" as between the respective vocations, trades, professions and lines of work.

- The pay for each class should be equitable, that is, fair to the employee and fair to the taxpaying public.
 - a. Fairness to the employee was defined to require that the compensation should permit him to maintain a standard of living that will make for the good of society and posterity. In the case of the lowest ranks, the compensation should be adequate to attract into the service young men and women without family responsibilities, but of a training and capacity that will enable them to become of future value to the service and to themselves.
 - b. Fairness to the taxpaying public was defined to require:
 - i. Compensation should not materially exceed that paid for similar services by enlightened employers in the general industrial and commercial world. Any excess over such a prevailing average is in the nature of a special subsidy with which no group should be favoured.

ii. Furthermore, in comparing the compensation paid in government and in business for similar services, the relative advantages and disadvantages of employment in the two sectors should be taken into account:

- permanence and continuity of tenure
- hours of work
- holiday and sick leave

3 The next statement of salary policy dealt with the technical and professional classes. The Royal Commission on Technical and Scientific Personnel (1930) found that, although junior salaries compared favourably with the outside market, salaries for most scientific classes in the public service were substantially depressed.

4 During the depression, a number of restrictive pay policies were introduced in the civil service as well as in the private sector of the economy. In the civil service, salaries were reduced by ten per cent (Salary Deduction Act, 1932), promotions were limited, statutory increases discontinued, and permanent positions which became vacant were abolished (P.C. 44/1367 – June 14, 1932). With wage cuts of substantially greater magnitude in the private economy and with a restoration in the mid nineteen-thirties of one-half of the ten per cent civil service pay reduction (and the restoration of all before the decade ended), salaries in the service at the outbreak of war were in a highly favourable position relative to those in the private sector.

5 Broadly speaking, compensation policy during World War II was one of over-all restriction on increases, tempered by a variety of expedients designed to prevent gross injustice and to place the government in a reasonably competitive position for hiring the enlarged staff it required during the emergency. A cost-of-living bonus, promotions in war units, war duties supplements, and the watering-down of the classification structure, all provided some flexibility for civil service wages and salaries during the war.

6 In the immediate post-war years, the first question of pay policy involved the scale of remuneration for the higher levels of the civil service. Acting on the recommendation of the Royal Commission on Administrative Classifications in the Public Service (1946), selective increases were made in the salaries of various deputy ministers and other senior officials. During this period, too, the cost-of-living bonus, introduced during the war, was incorporated into the salary structure of the service.

7 The then Prime Minister, the Right Honourable Louis St. Laurent, in introducing certain salary revisions in 1948, re-stated the principles upon which the compensation policy of the government was based. This was the first comprehensive statement of pay principles since 1919 but did not differ greatly from those of 1919. In summary, the three most important were:

- Equal pay for equal work – defined to include regional and locality pay differentials.
- Fair relationship between classes.
- Fair relationship with private employment – defined to require consideration of the average paid by “enlightened employers” or the so-called “good employers”.

8 At the founding convention of the Civil Service Association of Canada in 1958, the Prime Minister, The Right Honourable John Diefenbaker, made the following statement on wage policy in the public service:

For many years it has been generally accepted that two main principles should guide the determination of salaries in the service. First, the salaries must be enough to do the job, that is, to attract enough of the right kind of men and women into the service and keep them in it; second, they must be fair as between civil servants and people outside the service, the taxpayers if you will, which means that the salaries we pay for any class of work should be comparable with those paid by *private* employers for similar classes of work, taking into account the other terms of employ-

ment that are necessary to make a fair comparison. I think these principles should continue to guide us.

9 The most recent expression of pay principles is to be found in Section 10 of the new Civil Service Act, which is worded as follows:

The Commission in making recommendations on remuneration shall consider the requirements of the civil service, and shall also take into account the rates of pay and other terms and conditions of employment prevailing in Canada for similar work outside the civil service, the relationship of the duties of the various classes within the civil service and any other considerations that the Commission considers to be in the public interest.

10 These most recently enunciated principles of compensation, although somewhat similar to those of 1919 and 1948, are much less specific and are consequently open to varied interpretations.

11 There is still no comprehensive statement of compensation principles for the public service. Past statements have been so generalized as to be of little practical value as policy guideposts. Government enunciation of concrete remuneration principles for the public service would meet a number of urgent needs. It would:

- provide a meaningful framework within which more specific pay policies may be developed.
- serve as guideposts to the Pay Research Bureau for making appropriate market comparisons.
- assist departmental managements in administering pay.
- facilitate a better understanding by employees and staff associations of government pay policy and practices.
- provide Parliament and the broader public with the necessary background and rationale for appraisal of government compensation policy.

12 A second major observation is that only in recent years has there been much attention to market forces in government pay determination. Although market factors were mentioned as one of the criteria for wage determination in the Young Report of 1919, the main emphasis during the nineteen-twenties and nineteen-thirties was on maintaining internal relativities and on vague standards of equity. Pay practice reflected an assumption that rates were adequate as long as they enabled the service to secure and retain the staff required. During World War II and the immediate post-war years, the basic criterion for most salary and wage adjustments was changes in the cost of living. It was not until the late nineteen-forties that any real attention was given to outside market pressures and rates. Mr. St. Laurent's restatement of compensation principles in 1948 placed greater emphasis upon the market than had been the case in the past. Increasingly since then there has been more concern about market rates, although it was not until the formation of the Pay Research Bureau in 1957 that this was translated into reasonably specific policy and practice related to outside occupational market comparisons.

13 This greater emphasis on market rates as a guide to pay determination in recent years reflects two factors: (1) relatively full employment since World War II inevitably has made the market a more dominant factor in pay determination; and (2) the growing need of the government for scarce technical, professional and higher-level manpower has forced it into more active competition with outside employers.

EXTERNAL CRITERIA FOR PUBLIC SERVICE WAGE POLICY

14 Clearly, the general aim of wage policy in the public service should be to create and maintain an efficient and properly remunerated service. Specifically, pay policy should, first, facilitate the staffing of the service with

competent personnel by attracting suitable recruits and retaining effective employees; second, compensate employees in the public service fairly; and, third, achieve these two aims at a cost which is as reasonable as possible to the taxpayer.

15 The government competes with employers in the labour market. If the general level of wages in public employment is substantially lower than that for similar work and conditions in private industry, the government will find it increasingly difficult to recruit qualified persons. On the other hand, if the public scale is substantially higher, the public service will drain a disproportionate share of the more efficient workers from industry, thus affecting productivity in the national economy.

16 It is evident also that without consideration of “going” rates the government has little guide to the major economic aspects of wage determination. In the public service there is, as a rule, no direct relationship between wages and demands for the product because most governmental services are not supplied in a free, let alone a competitive, market. The government’s only economic guide is, therefore, supplied by prevailing conditions in the labour market.

17 To establish outside market rates as the primary guide to public service wage and salary levels is, however, only to pick a starting point. Many practical difficulties are involved. The first is that there are usually a whole range of market rates with which the rate for any one public service position might be compared. Then there is the fact that many public servants lack counterparts in private industry. For their positions it is difficult, perhaps impossible, to find a useful market rate for comparison.

18 The first difficulty mentioned stems from the fact that the term “market” or “going” rate refers to an abstraction. There is no such

thing as a *single* market rate. There are many going rates, and the problem of wage determination is not solved by identifying the rates paid for various types of work in private circles. It is still necessary to choose an appropriate sample of firms and rates to use as a guide in wage determination.

19 As a general rule, for most clerical and non-office wage earner jobs—after due account is taken of the geographical distribution of civil servants in the classification concerned—averages of rates paid in all establishments (except the very small) may properly be used for purposes of comparison. For technical, professional and higher-level jobs, however, the government must compete with a select group of employers. Here, the government, as a large employer, competes directly with the large private employers, and must keep in step with their practices if it is to recruit and maintain an efficient work force.

20 The Pay Research Bureau bases its wage comparisons on a “select group of employers”. The phrase is not intended to mean the best employers, but rather a representative sample of those employers with whom the public service is in competition for recruits. The sample of firms used by the Pay Research Bureau in its surveys, although still evolving, seems to be a reasonably appropriate one for professional and technical manpower, but it might consider a somewhat less select sample for a number of the lower level occupations.

21 As a result of dramatic shifts in the labour market, many types of highly specialized manpower which previously found their outlet almost exclusively in the federal public service are now in strong demand by private industry, provincial and local governments, and educational institutions. Candidates who formerly would have considered the civil service their first choice now have a wide range of interesting and remunerative alternatives from which to choose. Increasingly, for this and other reasons, the public service has to be

competitive in its wage and salary rates. As a corollary, it must maintain high standards of selection and work performance. It must give more attention to maintaining efficiency, standards of performance, and levels of productivity appropriate to such compensation levels. Compensation costs only begin with wage and salary levels. The final measure is the output the salaries buy.

22 Reference has already been made to the number of occupations in the public service for which it is difficult to find comparisons in the private sector of the economy. How, for example, can competitive market rates be used to fix the remuneration of astronomers, meteorologists, air traffic controllers, and others for whom the government is the chief employer? Here, bench-mark jobs with counterparts in the private sector may be used in association with job evaluation and other similar techniques to slot the jobs in question into the public service wage structure.

23 The government has some responsibility to ensure that the incumbents of such non-market jobs receive equitable treatment compared to those whose rates are market-determined. It has already been observed that career earnings of those in jobs without counterpart in the private sector of the economy have tended to lag somewhat behind those for comparable jobs where the government is in competition for personnel. The government also has another objective. It must ensure an adequate long-term supply of personnel required to man jobs which are peculiar to the public service. This need reinforces the case for comparable and equitable pay treatment.

24 Should the government's general wage policy for the public service be modified to allow for the relative attractions of employee benefits and "other conditions of employment" in the public service? The government's present substantial advantage over private industry on fringe benefits for clerical

and non-office wage occupations provides some leeway for shading recruiting rates slightly below the market for these classes. However, because of the competitive labour market such modification is inappropriate when recruiting managerial, professional and technical personnel. New graduates in these groups are more likely to be influenced by direct remuneration and opportunity than by the long-run value of fringe benefits. In the tight labour market for high-level manpower they can easily find both the wages they desire and employee benefits relatively similar to those offered by the public service. In the long run, government compensation policy should be designed to meet market conditions both in pay rates and individual fringe benefits.

INTERNAL CRITERIA FOR PUBLIC SERVICE WAGE POLICY

The Classification System

25 External comparisons provide proper bench-marks for establishing general levels of remuneration for particular types of work within the public service. They suggest the range within which wages and salaries for particular categories of personnel should fall but they do not provide all of the ingredients for administration of a well-conceived remuneration system. Such a system must make it possible for the wage or salary of the individual to be fitted into the salary structure suggested by external comparisons and to be fitted into it in such a way as to provide rewards and incentives for proper performance. Classification of positions, especially for an organization as large and complex as the public service, is essential for achieving these objectives.

26 Classification is not only important in administering a compensation system; it also serves other purposes. Classification depends on defining the function which the incumbent of a position is to perform. Such definition is

clearly essential to proper placement, promotion and transfer, to training decisions, and to evaluation of performance. Classification and the job descriptions upon which it is based facilitate recruiting to meet present and future manpower requirements and to provide the foundation for decisions about qualifications required by the incumbent of any position.

27 The civil service classification system had its origin in the study by Arthur Young and Company, reported to Parliament in 1919. It was a time when there was a strong public sentiment in favour of bridling patronage. The "merit system", which was intended to relate appointments and promotions to qualifications for the work to be performed rather than to political favour, required a system of classification which would accurately define each position.

28 The present classification system was legally founded on the Civil Service Act of 1918, as amended in 1919. In the newly revised Civil Service Act, 1961, the legal basis for classification has been continued. Section 9 reads as follows:

9. (1) The Commission shall divide the civil service into classes of employment and shall classify each position therein.
- (2) The Commission may subdivide each class into two or more grades, but where a class is not so subdivided it shall for the purposes of this section constitute a grade.
- (3) The Commission shall define each grade by reference to standards of duties, responsibilities and qualifications, and shall give it an appropriate title.
- (4) Each grade shall embrace all positions in a class having similar duties and responsibilities and requiring similar qualifications of persons appointed to a position in the grade.
- (5) The Commission may divide, combine, alter or abolish any classes or grades, but no alteration in the establishment of a department shall be affected by anything done under this subsection without the approval of the Governor in Council.

- (6) The title of each grade shall be observed in all records of the Commission, the Auditor General and the Treasury Board, and in all departmental estimates and parliamentary returns and appropriations, but need not be used for other purposes.

29 In its Report of Transmission, Arthur Young and Company in 1919 dealt with the needs and purpose of classification. It pointed out that the classification of the service was a prerequisite to the examination of applicants. The Act of 1918 required the testing of candidates, and appointments were to be made after competitive examination "which shall be of such a nature as will determine the qualifications of candidates for the particular positions to which they are to be appointed." "Obviously", wrote Arthur Young and Company, "the Commission cannot pass on the qualifications of candidates to fulfill the duties of particular positions unless they know what the duties of those positions are... Only by a system of classification by which positions having substantially the same duties and calling for the same qualifications are grouped together can examinations be held in advance and lists of qualified persons be secured and maintained".

30 In addition, the Act required the Civil Service Commission "after consultation with department heads, to prepare plans for the organization of each department of the civil service." To fulfill its obligation to "indicate what classes of positions and what numbers of each class are required for the work of any department", a scheme of classification was essential. Finally, Arthur Young and Company emphasized that such a programme was necessary "if uniformity in compensation for the same work was to be brought about."

31 Since its inception in 1919, the system of classifications has been administered by the Civil Service Commission. For the guidance of those who were engaged in the classification programme, the Civil Service Com-

mission approved the following statement of principles:

1. That the duties and responsibilities appertaining to a position should be the criteria for determining the classification of the position because these attributes constitute the fundamental characteristics that distinguish the position from other positions and because all of the purposes of classification will be served by a grouping that will bring together positions involving substantially the same duties and responsibilities.
 2. That positions involving substantially the same duties and responsibilities call for practically the same qualifications as to education, experience, knowledge, and skill in their incumbents and that for this reason such qualification requirements, dependent as they are on the work to be performed, constitute an auxiliary basis for determining the proper classification of a given position.
 3. That neither the degree of efficiency with which the duties of a position are being carried out by the person who may be filling it, nor the qualifications such person may possess or lack, nor the pay he may receive, nor any other fact dependent solely on his individuality, shall be considered as having any bearing on the classification of the position in question.
 4. That the simplest practical grouping of positions should be adopted that will serve the purposes for which the classification is needed: that in conformity with this principle the unit of classification should be a group (called a "class") embracing all those positions in the service, regardless of departmental lines, that involve duties and responsibilities which are substantially the same.
- 32 The problem of administering a classification scheme may be readily appreciated merely by noting that when the system was inaugurated there were only 25,000 employees in the classified civil service, whereas today there are 130,000. A system which was intended to incorporate "the simplest practical grouping of positions" may have permitted a reasonable degree of flexibility when it covered 25,000 or even 50,000 employees. It has become more complex, more difficult to administer, and more inadequate as the size of the service has increased.

33 The Royal Commission on Administrative Classifications reported that in 1946 there were some 3,700 different classifications (1,500 of which were for temporary war-time positions), which it considered an excessive refinement and by no means "the simplest practical grouping". The Royal Commission recommended a simpler and more workable system of classification. In the intervening years an effort has obviously been made to meet this criterion: at the time the present study was undertaken the number of classes had been reduced to 887, of which 106 had been defined in such terms that they were considered adequate for present working conditions. There were no official standards for the remaining 781 classes, however, and it is estimated that a complete set of standards will not be achieved for some years.

34 Until the early fifties the administration of the classification system had the merit of relative flexibility. Classification officers were employees of the Civil Service Commission but spent considerable time in the departments in the performance of their duties and were under instructions to become familiar with every first name. They came to have a considerable knowledge of the departments for which they were responsible and of the individuals in them. Classification decisions were made close to the work place. This was very much the picture after World War II, when the men doing this work were comparatively senior and experienced, not only in classification but also in dealing with widely varying types of personnel under many different circumstances. It was a period when the Civil Service Commission had one clearly recognized head, communication lines from the classifier to the Chairman of the Commission were short, and those responsible for classification could get relatively quick decisions and be certain of firm support.

35 Within the last decade, this flexibility has been lost. To the individual and his supervisor alike classification problems appear

more difficult. There is less room for intelligent persuasion and the whole process is much slower. Among the several apparent reasons is the change in the organization of the Commission itself. The three Commissioners now allocate their responsibilities among themselves. As a result, staff work on classification and pay falls to one Commissioner while the operations group responsible for implementation reports to a different Commissioner.

36 In a move of debatable wisdom, too, classification, recruitment and placement have been combined under officers attached to the Operations Branch of the Commission. Experience in industry suggests that these are distinct functions best kept separate and that, if they are not, one or other of them is likely to suffer, depending upon the pressures of the moment. Few personnel administrators are equally effective in handling such divergent functions.

37 The exigencies of financial control have, however, been the source of most of the relative deterioration in the administration of the classification system. Although the Treasury Board has no authority to classify a position, it has become the real power behind the classification system by ruling on the number of positions of any given classification to be permitted in a department and on the salary appropriate to each classification. Inevitably, its enlarged role has involved duplication of personnel staff. The Treasury Board soon found, for instance, that to rule on the salary range appropriate to a classification it required personnel specialists to assess the recommendations of the Civil Service Commission. In addition, the establishment review procedure, the defects of which have been enlarged on earlier, has tended to make the classification plan sluggish and unmanoeuvrable.

38 Classification administration does not usually pose the problem for industry it does

for the civil service. An important reason is that industry is less prone to apply common classifications to all divisions of its operations. Whereas in the federal civil service the common denominator is the classification, in industry it is usually the salary range. This is an important distinction. Industry has found that a system which ranks classifications largely by linking them to a simplified set of salary ranges is much more flexible than a system of classifications applying across the organization.

39 Many European countries, notably Britain, France, Germany, Italy, Austria, and Belgium, have adopted general classes which are common to their whole civil service; this is also the pattern favoured by the Canadian classification system. In the United States, the enormous size of the federal public service has made the concept of service-wide classes impractical. The salary range has, accordingly, been made the common denominator and, under the United States Federal Position Classification Plan, all positions are encompassed within 18 salary grades. Each salary grade takes in many classifications, and position names are of relatively little significance. The important fact is the decision that the position is comparable in terms of difficulty and responsibility with all other positions classified within the same salary grade.

40 In essence, this is the system now used widely throughout North American industry. The description of the duties of the class determines its ranking within a comparatively small number of salary grades. Since these rankings are subjective, they cannot be really precise and there is, therefore, a tendency to use broad overlapping ranges. In effect, through the present classification system, Canada's Treasury Board and the Civil Service Commission are struggling to make distinctions finer than either the United States Civil Service Commission or major company industrial relations executives con-

sider themselves competent to achieve. In the result, the classification files of Ottawa's Civil Service Commission are replete with tedious evidence of long-drawn-out wrangles over alleged inequities and inconsistencies which the present classification maze makes largely unavoidable.

41 The groping for unattainable perfection is also evident in the attempt to write standards. Up to May 1961, only some 106 of 887 classes had been brought within the control of generally accepted standards. Some months earlier, one officer of the Civil Service Commission had predicted that it would take fourteen years to complete the programme. This prediction was probably appropriate to the approach being used, with standards being written in the most meticulous detail. Their very length and complexity would overwhelm the memory of the average executive, so that he could never expect to get any substantial number of standards clearly in his head. Preoccupation with meticulously detailed classification is unrealistic. Minutely descriptive detail, of little significance for determining the market value of the position or its relative organizational position, serves chiefly to confuse the issue and limit flexibility in personnel management. Such descriptions can be accurate only at a point in time, because jobs, like living organisms, change constantly.

42 Succinct descriptions, containing all the essential detail needed for organizational clarity and the determination of job value, are greatly preferable. Fortunately, this style has recently gained favour with the Civil Service Commission and, not surprisingly, the work of preparing standards has been speeded up accordingly. There is now some reasonable hope that a complete set of standards will be provided in not more than four years. This may prove an optimistic forecast, depending upon the rate of change within the classification system during this period. The pace of change within the civil service will force the administrators of the classification system to

run faster and faster, if they would avoid giving the embarrassing illusion of standing still.

43 This, however, is only tinkering with part of a system which needs wholesale review and revision. The present classification officers are like skilled mechanics repairing the engines of a paddle-wheeler, forging a replacement part from a carriage bolt here and making do with a bicycle chain there. They are too preoccupied to consider the relevant question of whether the engine they tend so knowingly and with such ingenuity has not long since become obsolete.

44 A major element of rigidity has been injected into the civil service classification system by the practice of tying very specific educational and experience qualifications to the descriptions of the positions. These qualifications often appear to be somewhat arbitrary and have the inevitable result that career sequences indicated by the classification system are often bestrewn with road blocks insurmountable by many, regardless of the level to which their energies and abilities might otherwise take them.

45 The practice of specifying educational and experience standards for positions was forecast in the early Civil Service Commission statement of principles on classification which has been quoted above. The administrative convenience of such standards is that they make it easier to screen candidates. Specific objective standards, no matter how arbitrary, have practical advantages over the best conceived job descriptions, in limiting the number of appeals which can be launched against promotion decisions and in relieving some of the continuing pressure for making seniority the chief element in promotions.

46 Experience in the exempt agencies does not support the contention that arbitrary and tightly-drawn educational standards are necessarily required. In the Bank of Canada, for

example, there is no fixed educational requirement for an economist. There are examples of this classification being attained by men who have never been to university, but who have developed the ability to perform the work of an economist in the Bank.

47 Over the years, the administrators of the classification system have endeavoured to slay the dragon of rigidity in the classification system by the development of loose general classes. Those who can meet the educational prerequisites can be classified, for example, as "Chemists"; others who have the knowledge of junior chemists but lack the formal education are classified as "Technical Officers". The academically-qualified man may be an "Economist", his self-educated colleague a "Technical Officer". Thus, to give the system something of the flexibility which the standards themselves deny, a number of exceedingly loose general classifications have been added, of which the most striking examples are the Technical Officer and the Administrative Officer series. An employee classified as a Clerk, an Economist, a Calculating Equipment Operator, or a Cargo Inspector, can be readily identified; but one cannot guess what a Technical Officer does simply from his classification. Although the classification suggests a laboratory occupation, the individual often turns out to be a personnel officer or information officer.

48 A basic principle of the classification system enunciated in 1919 was "that neither the degree of efficiency with which the duties of a position are being carried out by the person who may be filling it, nor the qualifications such person may possess or lack, or the pay he may receive, nor any other fact dependent solely on his individuality, shall be considered as having any bearing on the classification of the position in question." Classification, in other words, is concerned with duties and positions, not persons.

49 However, concern for the individual rather than the position in the civil service classification has become very evident, particularly in the scientific classifications. A chemist, for example, may go all the way from a Chemist 1 at \$4,380 to a Chemist 5 at \$11,200 per year without ever changing his job, and might do so while working at the same problem from start to finish. Here the change in the classification is the change the man makes in the job; literally he changes the whole level of the job "solely on his individuality". It has long been recognized that the job tends to form itself around the man at all levels of management. There is not one best way of performing a management function; the best way for one may be almost impossible for another, and yet each may discharge his responsibility competently.

50 Even at clerical levels, the qualifications of the individual, and other factors dependent solely on his individuality, may change the job and force reclassification. The result is referred to in the civil service as "classification creeping", and some of it is undoubtedly justified.

51 The present administration of the classification system, and indeed the classification system itself, is only part of the excessive paternalism which surrounds the civil servant. He is protected by Parliament, both indirectly by individual members and directly through the Civil Service Commission, and except by various evasions of the system, denied his individuality by the tight-control system of personnel management. Control of classification, for example, is removed from departmental management and placed in the hands of a more remote control agency, presumably to ensure objective review, free of bias. The result is that the system is made more impersonal and at the same time is much less sensitive to the realities of constantly changing duties and responsibilities for the individual.

The Remuneration System

52 Most modern remuneration systems are imperfect attempts to see that each employee is paid fairly in relation to four basic considerations:

- The requirements of the job.
- The employee's performance in relation to such requirements.
- The internal (and usually historical) concept of the difficulty and responsibility of any given job as compared with the relative difficulty and responsibility of all other jobs within the organization.
- The external concepts of relativity with reference to the same job.

53 Since the perfect remuneration system does not exist anywhere, a variety of methods are used to determine the relativities within a remuneration system and to administer the system. There is to be seen, on the North American continent, a considerable area of agreement in the economy at large and in some governments, notably that of the United States of America, on the desirable principles of a good remuneration system. The system currently in use in the civil service and in most, but not all, of the Crown agencies, does not meet these standards.

54 Like the classification system, the remuneration system in the civil service of Canada evolved from principles enunciated in the Arthur Young and Company study of 1919. Briefly, these were:

- Rates of compensation should be uniform for the same work.
- Rates of compensation should be relatively right for different classes. Within the same vocation, trade or profession, this relativity was to be measured by differences in duties, responsibilities, experience, knowledge and skill. In "different fields", rates of compensation were to be related, one field with

another, in the same way that the "business world" related rates for different vocations, trades, professions and lines of work.

- The pay for each class should be equitable. This was to mean "fair to the employee and fair to the taxpaying public". This fairness was spelled out in its social implications and was also taken to mean that compensation should not materially exceed that generally paid for similar service by employers in the industrial and commercial world. In making comparisons with the industrial world, consideration was to be given to permanence and continuity of tenure, hours of work, and holiday and sick leave.
- The schedule should provide an absolute minimum, absolute maximum and intermediate rates between the two.

55 Before describing the administration of the present system, it is useful to consider some of the assumptions inherent in this approach. These may be stated as follows:

- The principles can best be implemented through a central administrative agency.
- The principle of equal pay for equal work can be implemented with a close approach to precision.
- The implementation of the second principle, that rates of compensation should be relatively right for different classes, assumes a system of job evaluation.
- The fourth of the principles originally set out by Arthur Young and Company, "that the schedules should provide an absolute minimum, absolute maximum and intermediate rates within this range", now relies for its interpretation on a number of assumptions which appear to have evolved over the years and which do not derive their inspiration from the report submitted by Arthur Young and Company. These are:

- (a) that the value of an employee in a given classification can be defined within narrow limits;
 - (b) that the limits within which this definition may be achieved become increasingly narrow as the value of the employee's service increases;
 - (c) that within this narrow range, the increasing effectiveness of the employee can be directly related to time and his increasing merit compensated on a pre-set time schedule;
 - (d) that the vast majority of employees in any given classification will merit the pay increases based on time and that denial of such increases should therefore be made difficult.
- Unstated, but important, is the assumption that no salary of a member of the classified civil service may exceed the remuneration of a cabinet minister. This assumption also appears to exert a powerful influence in the Crown agencies and there is reason to believe it may have important influence even where the chief executive is paid more than a cabinet minister.

56 The administration of the remuneration system has been plagued by the absence of a complete set of classification standards as a prime requisite. Moreover, the system has presupposed job evaluation, but no formal system of job evaluation has ever been adopted. It is true that some of the elements of a factor comparison system have been applied to job evaluation, but it is essentially a loosely-administered ranking system. If equitable salaries have from time to time been achieved, this has been in spite of the system. Because the Civil Service Commission advises and Treasury Board decides, there is dual responsibility and duplication of staff. Relativity with salaries in the economy at large has undoubtedly been improved since the establishment of the Pay Research Bureau, but the Bureau, in turn, is handicapped by the inadequacy of standards for making the comparisons.

57 One of the principles of remuneration applied since the inception of the system is

that the schedules should provide an absolute minimum, an absolute maximum, and automatically attained intermediate rates within each range. This principle is sharply at variance with the general practice in the economy, particularly with reference to supervisory and management positions. Some companies have adopted systems of automatic progression at the lower levels of office employment because they have found that automatic progression at the lowest level, and sometimes to the mid-point of the range in clerical levels, tends to reduce arguments, simplify administration, and conserve the time of departmental management and of the personnel or industrial relations organization.

58 This might be taken as evidence of the wisdom of the present civil service system. Most of those who administer such systems will admit, however, that they favour mediocrity and constitute a rationalization in favour of peace. The victims of the system are those superior performers whose merit is not recognized lest such recognition bring grievances from less meritorious but more numerous colleagues.

59 The validity of this conclusion may be tested by noting that companies, which pay typists on an automatic progression of salary, pay supervisors by merit within broad ranges, on the assumption that incentive is more important to supervisors. There is, indeed, some possibility that this is true for it is not unreasonable to suppose that the very employees who have the qualities necessary for progressing to supervisory positions, are likely to be the most alert and responsive to financial incentive. Even so, there is certainly no proof that the elimination of financial incentives for meritorious performance at the lower levels of office employment is an advantage. Treating all such employees in a uniform manner may have the advantage of convenience, but this is scarcely the same as saying that the elimination of financial in-

centive at the lower levels of an office organization will improve efficiency. Even those companies which have done it suffer from no such delusion.

60 The administration of ranges within the civil service bears no resemblance whatsoever to the recommendation of Arthur Young and Company in the Report of Transmission, Part III (g) which reads:

Advancement in pay as used herein is to be taken to mean an increase in the salary of an employee in a given position, from one rate to a higher rate within the range of compensation allowed, without involving any change in position or duties . . . It will be conceded that advancement in pay is one of the most effective forms of reward that can be offered to an employee as an incentive to him to apply himself industriously to the duties of his position. It is manifest that if an increase in pay is given as a reward for and an inducement to efficient service it must be based on demonstrated efficient service and on no other consideration.

Even as far back as 1919, it was possible for the Report of Transmission to note "that only in very rare cases indeed is the annual increase withheld"—a statement as valid today as it was then. The tendency is so strong toward automatic progression through the ranges that the key comparison used by the Pay Research Bureau, the Civil Service Commission and the Treasury Board in establishing salaries is the comparison of the top of the range with that in selected companies.

61 The system of ranges as conceived in the 1919 study recognized the impact of the employee's own efforts upon the value of his job. The ranges were comparatively narrow and therefore the provision for the recognition of such effort and such variation between employees was modest; but it was there, and it is unfortunate that this potentially effective incentive has been largely destroyed by administrative practice within the service.

62 In the intervening years, enlightened companies on the North American continent have tended toward a widening of ranges,

particularly at the more senior levels. The endeavour is to fix the employee's salary within the appropriate range strictly on the relative merit of his performance. This is not to deny that in any organization length of service tends to influence salary in an upward direction, but there has been a conscious and increasing effort to control this tendency and to make its influence secondary to quality of performance.

63 These broader ranges favoured by industry are effective only when administered in accordance with the principle of merit. It would be extremely costly to use wide ranges, designed to recognize the variations in performance which are inevitable in any group of men and women, in such a way that movement through the ranges would, in practice, be related strictly to the passage of time. As the present system of ranges in the service is geared to the passage of time and not to merit, managers in the departments find it necessary to use other expedients for the recognition of merit. The most common is what has been referred to previously as "classification creeping", a practice which is facilitated by the loose general classification and by the lack of standards for the majority of classifications. Thus, it is possible to support a change in classification, ostensibly because the duties have changed, but actually because the worth of an employee in a position has changed. His duties remain the same, but in the opinion of his superior he deserves recognition for his accomplishment.

64 This procedure has largely destroyed the effectiveness of the classification system and made a mockery of the ranges, to the point that only a far-reaching job evaluation study within the civil service would disclose the real ranges for positions of comparable difficulty and responsibility. It is safe to say that the actual ranges would be found to be considerably broader than they appear to be from the official classification listings. Experience elsewhere suggests that they may well be

broader than those currently favoured by industry but, if this is true, they are not administered fairly, because not every able employee giving superior performance in his position is recognized by the device of classification creeping. Moreover, real changes in responsibility may not be, and frequently are not, recognized promptly. An employee may be misclassified and mispaid for long periods while his case is passed through the control agencies, which have no real responsibility for him, no interest in him and no concern for the achievement of his department's objectives.

65 Your Commissioners are bound to conclude that the present remuneration system is essentially negative. It does not provide for positive recognition of superior performance. The administrators tend to regard it as a system of cost control and, for the reasons set out, it lends itself to the self-deception of those who cherish it as an effective instrument of cost control. It is too easily defeated and, worse still, those who exercise the control cannot know the extent to which it is being defeated. So it is a control system which is not what it appears to be—a system pushed and pulled by pressures from many sources and revised in its parts to meet such shifting pressures. It has long since lost any unity of concept which it may once have had.

66 These serious defects in the classification and remuneration systems become more evident as the public service employs more high-level professional and managerial manpower. Whether for the purpose of its competitive position in recruiting such personnel or of obtaining most effective results from their services, the public service, like private employers, should increasingly be guided by the following principles:

(a) More emphasis should be placed on developing appropriate monetary and non-monetary rewards for senior professional people, as an offset to check the present incentive

to abandon professional jobs and seek advancement through the administrative hierarchy. Salary plans should provide for parallel lines of advancement for professional and administrative personnel, with roughly comparable salary scales. The present system in many areas places too much emphasis for purposes of remuneration on the organizational level and numbers of people supervised and not enough emphasis on the technical competence and contribution of the individual.

(b) There must be greater recognition of differences in individual performance, particularly for high-level manpower. It is becoming important to base compensation on the capabilities and performance of individuals rather than solely upon rigid job descriptions. The present system, which is said to be based on equal pay for equal work, too often results in equal pay for unequal effort and unequal interest. This is unfair and has an insidious effect on morale and efficiency. The present classification system emphasizes the job first and the man second. A proper classification and remuneration system recognizes that in the professional and managerial areas the individual determines the level of responsibility carried in the job. Job families can be classified by level of responsibility carried as well as by the nature of the work performed. Thus, to the extent appropriate, the individual can be rewarded either by advancement within the range or by promotion to a higher range in the series, for the same work carried out at more responsible level.

MACHINERY FOR WAGE DETERMINATION AND SALARY ADMINISTRATION

67 By the terms of the Civil Service Act, responsibility for wage determination and salary administration rests with the Civil Service Commission and the Governor in Council. The Commission is required to keep the rates of pay under review and, whenever the need arises, to make recommendations

concerning them to the Governor in Council. To become effective, the recommendations of the Commission must be approved by the Governor in Council, whose powers in this respect are normally exercised by the Treasury Board.

68 Two branches of the Civil Service Commission are involved in the process of wage determination. The Pay Research Bureau is responsible for fact-finding. Its function is to carry out comparative studies of the rates of pay, conditions of employment and related practices prevailing inside and outside the civil service, and to report its findings in an objective manner to the Commission, the Treasury Board, and, in practice, to representatives of the major staff associations. The Pay and Standards Branch is responsible for assisting the Commission to develop pay recommendations. Reports of the Pay Research Bureau are considered in conjunction with other relevant factors, such as the need for appropriate internal relativities or recent experience in recruiting and retaining qualified employees for the public service.

69 The Commission receives advice on pay research from the Advisory Committee on Pay Research. This body meets regularly to review progress reports of the Bureau and to consider a variety of problems associated with survey concepts and techniques, the timing of studies and the distribution of reports. The Committee is chaired by a Civil Service Commissioner and has six other members, three representing the staff side and three representing the official side. Of the three staff side members, one represents the Professional Institute of the Public Service of Canada. Of the three official side members, one is expected to represent the views of management of departments employing professional personnel.

70 The staff associations maintain a very active interest in the whole process of pay determination. Their role in the process, which

has developed gradually over the years, has recently achieved formal recognition in the sections of the new Civil Service Act that provide for consultation with "representatives of appropriate organizations and associations of employees" on pay matters.

71 The role of the departments is more difficult to identify. Legally, they have no responsibility in this field. In practice, however, there is continuous communication between the Commission and departmental management on the adequacy of existing rates of pay and the probable effects of proposed revisions.

72 The final step in the pay determination process is the review of the Commission's recommendations by the Treasury Board. This frequently requires intensive discussion between senior staff of the two agencies. Under the former provisions of the Civil Service Act, the Governor in Council could accept or reject the Commission's recommendations, but could not establish rates of pay different from those recommended. Under the provisions of the new Act, the Governor in Council, while bound to consider the views of the Commission, will be free to set whatever rates it considers appropriate.

73 Civil Service Commission responsibility for pay recommendations extends only to those affecting civil servants. Determination and application of rates of pay for prevailing rate employees, ships' officers and crews, and other similar groups exempt from the Civil Service Act is shared among the Treasury Board, the employing department and the Department of Labour. It is not surprising that the whole area of pay determination is marked by duplication of machinery and effort and a failure to achieve reasonable co-ordination and common guiding principles. These defects can be remedied if the proposed Personnel Division of the Treasury Board is held responsible for appraisal of the wage and salary situation and for making recommendations to the Board for all pay adjust-

ments in the public service. Similarly, the Pay Research Bureau should be held responsible for collecting and organizing all the necessary outside comparative data. It is much better fitted to provide this necessary specialized information than are either the Department of Labour or the Dominion Bureau of Statistics, whose roles are more suited to the collection and compilation of aggregate data for public consumption and use.

74 Responsibility for determining and adjusting employee benefit plans is even more widely dispersed than is that for wage and salary determination. As a result, each benefit plan has tended to be looked at in a vacuum rather than in the perspective of the total benefits package or, more properly still, in the perspective of the total compensation (pay and benefits) package. To fill its contemplated role properly, the Personnel Division of the Treasury Board must be as concerned with the benefits part of the total compensation pattern as it will be with wage and salary determination.

75 Some special comment is desirable on the task of making suitable outside comparisons with public service wage and salary rates, benefit plans, and other working conditions. This, while simple in concept, is remarkably difficult in practice. It is essentially a fact-finding job, but one which requires the exercise of a great deal of skilled and professional judgment as to what are relevant facts. Wage and salary comparisons can be made properly only on the basis of a sound evaluation of job duties and requirements. Comparison of working conditions and benefit plans involves weighing complex questions of relative value and costs to employer and employee.

76 The Pay Research Bureau was established in 1957 for this difficult fact-finding job. It has made substantial progress in assessing the comparability of public service and private sector jobs and in building pay

comparisons on these. It produces valuable information about the labour markets in which the federal public service must compete. Recently, it has begun the very necessary task of matching pay comparisons with data on benefits and other working conditions. The Bureau operates, and must if it is to do its job properly, as an independent, objective body, producing data which the central management of government can use as a basis for making its compensation decisions. Currently the information it gathers is made available to the Civil Service Commission (of which it is a part), the Treasury Board, and certain senior officials of major staff associations.

77 As has already been demonstrated by United Kingdom experience (where pay research is conducted by a body directed and financed jointly by the government and the staff associations) a major hazard is the temptation, or alternatively the pressure, to make too many outside comparisons and to make them too frequently. To keep the job within manageable proportions for an organization as large and as varied as the public service, there must be a determination to limit comparisons to appropriate bench-mark jobs and, generally, to limit frequency of comparison by some cyclical review plan. Recently, the federal government has moved in this direction with its biennial review schedule, which divides wage and salary rates of civil servants and the R.C.M.P. into five groups, with the following initial set of review dates.

- Professional and related classes: reviewed July 1, 1961.
- Administrative classes, clerical and office service classes, professional support classes and commissioned R.C.M.P. officers: reviewed October 1, 1961.
- Hospital classes: reviewed January 1, 1962.
- Penitentiary staffs and non-commissioned R.C.M.P.: reviewed April 1, 1962.

- Customs and Immigration classes, postal classes, crafts, building, custodial and maintenance classes and other classes: to be reviewed October 1, 1962.

78 Complementing the internal administrative need for limiting the number and frequency of comparisons is the desirability of considering the position of the co-operating employers. Without the willing co-operation of outside employers, the usefulness of pay comparisons is likely to be vitiated and the task of getting even poor comparisons made very difficult. On the other hand, most employers with whom the federal government

wishes to make comparisons share the same need and are themselves accustomed to the procedure. They realize that for them the values of pay comparisons must be balanced against costs in manpower and dollars. They make comparisons with other firms, but realize that to obtain co-operation they must keep their requests reasonable and ensure that the information they receive and exchange makes the process worthwhile to both parties. It would be most unfortunate if there were any attempt to compel outside employers to "co-operate" or to impose on them an unreasonably detailed and costly burden without adequate reciprocal advantages.

APPENDIX A-1

Appendix A-1 — GEOGRAPHICAL DISTRIBUTION OF FULL-TIME CIVIL SERVICE EMPLOYEES — BY
DEPARTMENT — SEPTEMBER, 1960

Department	Grand Total	Ottawa- Hull	Remainder of Canada	Outside Canada
Agriculture.....	6,181	1,696	4,484	1
Auditor General's Office.....	127	125	2	—
Board of Broadcast Governors.....	24	24	—	—
Chief Electoral Officer.....	21	21	—	—
Citizenship and Immigration.....	2,801	758	1,954	89
Civil Service Commission.....	653	515	138	—
Defence Production.....	1,367	1,154	191	22
External Affairs.....	1,357	902	2	453
International Joint Commission.....	9	9	—	—
Finance.....	458	439	18	1
Comptroller of the Treasury.....	4,297	2,366	1,918	13
Royal Canadian Mint.....	194	194	—	—
Tariff Board.....	17	17	—	—
Fisheries.....	1,183	149	1,034	—
Governor General's Secretary.....	15	15	—	—
House of Commons.....	220	220	—	—
The Senate.....	37	37	—	—
Library of Parliament.....	29	29	—	—
Insurance.....	92	85	7	—
Justice.....	317	281	36	—
Commissioner of Penitentiaries.....	94	94	—	—
Labour.....	560	534	24	2
Unemployment Insurance Commission.....	7,849	490	7,356	3
Mines and Technical Surveys.....	2,315	2,234	81	—
Dominion Coal Board.....	18	18	—	—
National Defence.....	26,555	6,749	19,759	47
National Gallery of Canada.....	65	63	2	—
National Health and Welfare.....	2,906	1,116	1,755	35

Appendix A-1 — GEOGRAPHICAL DISTRIBUTION OF FULL-TIME CIVIL SERVICE EMPLOYEES — BY
DEPARTMENT — SEPTEMBER, 1960 — Concluded

Department	Grand Total	Ottawa- Hull	Remainder of Canada	Outside Canada
National Library.....	42	42	—	—
Public Archives.....	93	92	—	1
National Revenue — Customs and Excise.....	7,479	1,058	6,419	2
National Revenue — Taxation Division.....	6,056	1,053	5,003	—
Northern Affairs and National Resources.....	2,033	1,048	983	2
Post Office.....	22,911	1,892	21,019	—
Privy Council.....	141	141	—	—
Public Printing and Stationery.....	637	606	31	—
Public Works.....	4,781	1,902	2,879	—
Royal Canadian Mounted Police.....	1,030	510	514	6
Secretary of State.....	715	715	—	—
Trade and Commerce.....	1,114	666	332	116
Dominion Bureau of Statistics.....	1,699	1,620	79	—
National Energy Board.....	35	35	—	—
Board of Grain Commissioners.....	886	2	884	—
Transport.....	9,468	1,671	7,796	1
Air Transport Board.....	67	63	4	—
Board of Transport Commissioners.....	153	125	28	—
Canadian Maritime Commission.....	21	21	—	—
Veterans Affairs.....	11,438	1,199	10,235	4
Total, Civil Service.....	130,560	34,795	94,967	798

APPENDIX A-2

Department	Total Canada	Nfld.	Nova Scotia	Prince Edward Island	N.B.	Quebec	Ontario	Mani- toba	Saskatch- ewan	Alberta	British Colum- bia	Yukon	N.W.T.
Agriculture.....	6,180	34	217	145	255	719	2,596	432	591	633	552	4	2
Auditor General's Office.....	127	—	—	—	—	1	125	1	—	—	—	—	—
Board of Broadcast Governors.....	24	—	—	—	—	—	24	—	—	—	—	—	—
Chief Electoral Officer.....	21	—	—	—	—	—	21	—	—	—	—	—	—
Citizenship and Immigration.....	2,712	13	102	3	91	370	1,402	144	108	136	324	6	13
Civil Service Commission.....	653	5	12	—	7	32	545	11	6	15	20	—	—
Defence Production.....	1,345	3	27	—	9	44	1,203	12	5	19	23	—	—
External Affairs.....	904	—	—	—	1	—	903	—	—	—	—	—	—
International Joint Commission.....	9	—	—	—	—	—	9	—	—	—	—	—	—
Finance.....	457	—	—	—	—	—	453	—	—	4	—	—	—
Comptroller of the Treasury.....	4,284	44	129	12	110	500	2,894	157	83	127	226	—	2
Royal Canadian Mint.....	194	—	—	—	—	—	194	—	—	—	—	—	—
Tariff Board.....	17	—	—	—	—	—	17	—	—	—	—	—	—
Fisheries.....	1,183	333	245	46	144	47	167	20	6	3	166	2	4
Governor General's Secretary.....	15	—	—	—	—	—	15	—	—	—	—	—	—
House of Commons.....	220	—	—	—	—	—	220	—	—	—	—	—	—
The Senate.....	37	—	—	—	—	—	37	—	—	—	—	—	—
Library of Parliament.....	29	—	—	—	—	—	29	—	—	—	—	—	—
Insurance.....	92	—	—	—	—	—	91	—	—	—	—	—	—
Justice.....	317	—	—	—	3	11	289	5	1	1	3	3	1
Commissioner of Penitentiaries.....	94	—	—	—	—	—	94	—	—	—	—	—	—
Labour.....	558	2	1	—	—	6	543	4	—	—	2	—	—
Unemployment Insurance Commission.....	7,846	145	249	26	402	2,210	2,848	477	195	365	923	6	—
Mines and Technical Surveys.....	2,315	—	9	—	—	—	2,238	—	1	8	58	1	—
Dominion Coal Board.....	18	—	—	—	—	—	18	—	—	—	—	—	—
National Defence.....	26,508	291	3,197	99	998	3,648	12,373	1,216	384	1,623	2,373	306	—
National Gallery of Canada.....	65	—	—	—	—	1	63	—	1	—	—	—	—
National Health and Welfare.....	2,871	40	87	10	48	297	1,601	130	128	218	278	24	10
National Library.....	42	—	—	—	—	—	42	—	—	—	—	—	—
Public Archives.....	92	—	—	—	—	—	92	—	—	—	—	—	—

National Revenue — Customs and Excise.....	7,477	142	212	11	343	1,681	3,772	245	118	216	724	12	1
National Revenue — Taxation	6,056	64	186	33	122	1,189	2,924	279	259	417	577	6	—
Division.....													
Northern Affairs and National Resources.....	2,031	30	39	8	53	44	1,122	81	36	253	154	41	170
Post Office.....	22,911	281	744	71	520	5,170	10,046	1,209	868	1,525	2,457	15	5
Privy Council.....	141	—	—	—	—	—	141	—	—	—	—	—	—
Public Printing and Stationery.....	637	—	4	—	—	560	64	2	—	2	5	—	—
Public Works.....	4,781	116	156	42	137	736	2,572	161	134	278	408	22	19
Royal Canadian Mounted Police	1,024	17	31	3	28	63	573	41	59	78	128	2	1
Secretary of State.....	715	—	—	—	—	—	715	—	—	—	—	—	—
Trade and Commerce.....	998	10	8	4	10	91	782	17	18	26	32	—	—
Dominion Bureau of Statistics.....	1,699	7	13	—	—	14	1,636	10	—	9	10	—	—
National Energy Board.....	35	—	—	—	—	—	35	—	—	—	—	—	—
Board of Grain Commissioners.....	886	—	—	—	—	34	352	283	26	79	112	—	—
Transport.....	9,467	624	399	66	750	1,304	3,390	677	114	901	1,021	83	138
Air Transport Board.....	67	—	—	—	—	4	63	—	—	—	—	—	—
Board of Transport													
Commissioners.....	153	2	—	—	4	4	129	6	—	6	2	—	—
Canadian Maritime Commission.....	21	—	—	—	—	—	21	—	—	—	—	—	—
Veterans Affairs.....	11,434	44	558	29	533	2,386	4,467	863	253	714	1,587	—	—
Total, Civil Service.....	129,762	2,247	6,625	608	4,568	21,167 ¹	63,950 ¹	6,483	3,394	7,656	12,165	533	366

¹Totals for Quebec and Ontario include 34,795 employees in the Ottawa-Hull Metropolitan Area.

APPENDIX A-3

Appendix A-3—GEOGRAPHICAL DISTRIBUTION OF FULL-TIME CIVIL SERVICE EMPLOYEES—BY METROPOLITAN AREA AND DEPARTMENT—SEPTEMBER, 1960

Department	Total Canada	Total, 14 Metro. Areas	St. John's	Hali- fax	Saint John	Mont- real	Quebec	Toronto	Hamil- ton	Lon- don	Wind- sor	Winni- peg	Cal- gary	Ed- mon- ton	Van- couver	Vic- toria
Agriculture.....	6,180	1,821	26	33	27	245	161	257	32	92	25	332	128	183	183	97
Auditor General's Office.....	127	2	—	—	—	1	—	—	—	—	—	1	—	—	—	—
Board of Broadcast Governors.....	24	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Chief Electoral Officer.....	21	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Citizenship and Immigration.....	2,712	929	6	70	13	159	69	160	27	19	71	81	33	35	164	22
Civil Service Commission.....	653	127	5	12	2	29	3	28	—	2	—	11	3	12	17	3
Defence Production.....	1,345	186	3	27	9	32	12	41	—	8	—	12	9	10	9	14
External Affairs.....	904	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
International Joint Commission.....	9	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Finance.....	457	18	—	—	—	—	—	14	—	—	—	—	—	4	—	—
Comptroller of the Treasury.....	4,284	1,666	44	122	32	280	218	402	6	59	—	155	18	105	156	69
Royal Canadian Mint.....	194	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tariff Board.....	17	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fisheries.....	1,183	524	233	115	9	7	9	6	1	—	3	20	—	3	118	—
Governor General's Secretary.....	15	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
House of Commons.....	220	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
The Senate.....	37	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Library of Parliament.....	29	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Insurance.....	92	7	—	—	—	1	—	6	—	—	—	—	—	—	—	—
Justice.....	317	23	—	—	—	9	2	3	—	—	—	5	—	1	3	—
Commissioner of Peniten- tiaries.....	94	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Labour.....	558	22	2	—	—	5	—	7	1	—	1	4	—	—	2	—
Unemployment Insurance Commission.....	7,846	4,399	108	81	60	1,138	214	1,013	164	97	132	428	125	170	606	63
Mines and Technical Surveys.....	2,315	63	—	2	—	—	—	1	—	—	—	—	2	1	4	53
Dominion Coal Board.....	18	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
National Defence.....	26,508	10,256	104	2,536	48	2,023	196	947	173	707	16	555	407	679	481	1,384
National Gallery of Canada.....	65	1	—	—	—	—	1	—	—	—	—	—	—	—	—	—

National Health and Welfare...	2,871	1,149	32	69	8	55	235	311	1	1	3	84	2	200	75	73
National Library	42	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Public Archives	92	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
National Revenue — Customs & Excise	7,477	3,690	80	115	112	904	146	746	129	64	484	156	82	77	522	73
National Revenue — Taxation Division	6,056	3,904	64	143	122	836	238	787	219	177	116	279	211	206	413	93
Northern Affairs & National Resources	2,031	258	18	20	2	14	14	—	—	—	—	34	42	20	86	8
Post Office	22,911	14,773	221	403	217	3,509	683	4,281	520	447	250	1,055	601	650	1,691	245
Privy Council	141	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Public Printing and Stationery Public Works	637	23	—	4	—	3	1	4	—	2	—	2	—	2	2	3
Royal Canadian Mounted Police	4,781	1,933	99	112	79	389	117	352	58	51	30	125	45	127	271	78
Secretary of State	1,024	359	14	24	2	53	9	51	1	4	1	33	15	51	42	59
Trade and Commerce	715	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dominion Bureau of Statistics	998	266	10	8	10	56	17	50	21	22	—	17	13	13	26	3
National Energy Board	1,699	75	7	9	—	14	—	16	—	—	—	10	—	9	10	—
Board of Grain	35	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Commissioners	886	497	—	—	—	33	—	2	—	—	—	283	42	31	102	4
Transport	9,467	4,533	106	170	65	869	154	899	10	35	34	630	50	768	653	90
Air Transport Board	67	4	—	—	—	4	—	—	—	—	—	—	—	—	—	—
Board of Transport Commissioners	153	24	2	—	—	4	—	4	—	—	—	6	6	—	2	—
Canadian Maritime Commission	21	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Veterans Affairs	11,434	9,717	44	541	512	2,027	352	1,732	86	1,303	10	850	479	213	1,225	343
Total, Civil Service	129,762	61,249	1,228	4,616	1,329	12,699	2,851	12,120	1,449	3,090	1,176	5,168	2,313	3,570	6,863	2,777

APPENDIX A-4

Appendix A-4—GEOGRAPHICAL DISTRIBUTION OF FULL-TIME EMPLOYEES IN CROWN CORPORATIONS—
SEPTEMBER, 1960

	Grand Total	Ottawa- Hull	Remainder of Canada	Outside Canada
<i>Departmental Corporations</i>				
Atomic Energy Control Board.....	8	8	—	—
National Research Council.....	2,434	2,276	149	9
<i>Agency Corporations</i>				
Atomic Energy of Canada Limited.....	2,629	253	2,376	—
Canadian Arsenals Limited.....	2,943	87	2,856	—
Canadian Commercial Corporation.....	56	51	—	5
Crown Assets Disposal Corporation.....	104	80	24	—
Defence Construction (1951) Limited.....	376	158	215	3
National Battlefields Commission.....	23	—	23	—
National Capital Commission.....	620	620	—	—
National Harbours Board.....	2,609	42	2,567	—
Northern Canada Power Commission.....	153	30	123	—
<i>Proprietary Corporations</i>				
Central Mortgage and Housing Corporation.....	1,874	703	1,171	—
Cornwall International Bridge Co. Limited.....	15	—	15	—
Export Credits Insurance Corporation.....	31	26	5	—
Farm Credit Corporation.....	245	47	198	—
St. Lawrence Seaway Authority.....	1,174	15	1,159	—
<i>Other Agencies</i>				
Canadian Wheat Board.....	687	—	681	6
Industrial Development Bank.....	259	7	252	—
Northern Ontario Pipe Line Crown Corporation.....	2	2	—	—
Custodian of Enemy Property.....	22	22	—	—
<i>Statutory Boards</i>				
Defence Research Board.....	2,785	968	1,770	47
Fisheries Research Board.....	541	14	527	—
National Film Board.....	734	31	671	32
Total.....	20,324	5,440	14,782	102

APPENDIX A-5

	Total Canada	Nfld.	Nova Scotia	Prince Edward Island	N.B.	Quebec	Ontario	Mani- toba	Saskatch- ewan	Alberta	British Colum- bia	Yukon	N.W.T.
<i>Departmental Corporations</i>													
Atomic Energy Control Board.....	8	—	—	—	—	—	8	—	—	—	—	—	—
National Research Council.....	2,425	—	44	—	—	3	2,280	1	95	—	1	—	1
<i>Agency Corporations</i>													
Atomic Energy of Canada Limited.....	2,629	—	—	—	—	—	2,629	—	—	—	—	—	—
Canadian Arsenals Limited.....	2,943	—	—	—	—	1,943	1,000	—	—	—	—	—	—
Canadian Commercial Corporation.....	51	—	—	—	—	—	51	—	—	—	—	—	—
Crown Assets Disposal Corporation.....	104	—	5	—	—	1	90	—	—	6	2	—	—
Defence Construction (1951) Limited.....	373	8	29	9	3	28	228	19	1	21	19	—	8
National Battlefields Commission.....	23	—	—	—	—	23	—	—	—	—	—	—	—
National Capital Commission.....	620	—	—	—	—	—	620	—	—	—	—	—	—
National Harbours Board.....	2,609	—	266	—	119	1,759	131	210	—	—	124	—	—
Northern Canada Power Commission.....	153	—	—	—	—	—	30	—	—	4	3	14	102
<i>Proprietary Corporations</i>													
Central Mortgage and Housing Corporation.....	1,874	14	61	—	18	242	1,186	68	49	112	124	—	—
Cornwall International Bridge Co. Ltd.....	15	—	—	—	—	—	15	—	—	—	—	—	—
Export Credits Insurance Corporation.....	31	—	—	—	—	2	29	—	—	—	—	—	—
Farm Credit Corporation.....	245	—	—	7	9	15	105	15	50	37	7	—	—
St. Lawrence Seaway Authority.....	1,174	—	—	—	—	356	818	—	—	—	—	—	—
<i>Other Agencies</i>													
Canadian Wheat Board.....	681	—	—	—	—	4	—	624	6	30	17	—	—
Industrial Development Bank.....	259	—	13	—	10	104	62	13	5	21	31	—	—
Northern Ontario Pipe Line Crown Corp.....	2	—	—	—	—	—	2	—	—	—	—	—	—
Custodian of Enemy Property.....	22	—	—	—	—	—	22	—	—	—	—	—	—

APPENDIX A-6

	Total Canada	Total, 14 Metro. Areas	St. John's	Hali- fax	Saint John	Mont- real	Quebec	Toronto	Hamil- ton	Lon- don	Wind- sor	Winni- peg	Cal- gary	Ed- mon- ton	Van- couver	Vic- toria
<i>Departmental Corporations</i>																
Atomic Energy Control Board	8	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
National Research Council	2,425	51	—	44	—	3	—	2	—	—	—	1	—	—	1	—
<i>Agency Corporations</i>																
Atomic Energy of Canada Limited	2,629	159	—	—	—	—	—	159	—	—	—	—	—	—	—	—
Canadian Arsenals Limited	2,943	1,541	—	—	—	—	794	747	—	—	—	—	—	—	—	—
Canadian Commercial Corporation	51	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Crown Assets Disposal Corporation	104	24	—	5	—	1	—	10	—	—	—	—	6	—	2	—
Defence Construction (1951) Limited	373	66	2	16	—	7	—	11	—	2	—	5	2	13	5	3
National Battlefields Commission	23	23	—	—	—	—	23	—	—	—	—	—	—	—	—	—
National Capital Commission	620	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
National Harbours Board	2,609	2,258	—	266	119	1,513	236	—	—	—	—	—	—	—	124	—
Northern Canada Power Commission	153	4	—	—	—	—	—	—	—	—	—	—	—	4	—	—
<i>Proprietary Corporations</i>																
Central Mortgage and Housing Corporation	1,874	931	12	53	1	187	33	247	55	33	31	68	49	53	96	13
Cornwall International Bridge Co. Ltd.	15	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Export Credits Insurance Corporation	31	5	—	—	—	2	—	3	—	—	—	—	—	—	—	—
Farm Credit Corporation	245	119	—	—	8	1	14	51	—	1	1	10	2	31	—	—
St. Lawrence Seaway Authority	1,174	73	—	—	—	73	—	—	—	—	—	—	—	—	—	—

APPENDIX B-1

Department	Occupational Groups										Total	
	Professional		Administrative		Technical		Clerical		Service, Maintenance and Production			
	No.	%	No.	%	No.	%	No.	%	No.	%		
Agriculture.....	1,724	27.9	184	3.0	2,496	40.4	1,205	19.5	572	9.2	6,181	100.0
Auditor General's Office.....	—	—	110	86.6	—	—	16	12.6	1	0.8	127	100.0
Board of Broadcast Governors.....	2	8.3	3	12.5	—	—	19	79.2	—	—	24	100.0
Chief Electoral Officer.....	—	—	2	9.5	—	—	10	47.6	9	42.9	21	100.0
Citizenship and Immigration.....	33	1.2	501	17.9	28	1.0	2,177	77.7	62	2.2	2,801	100.0
Civil Service Commission.....	1	0.2	222	34.0	4	0.6	425	65.0	1	0.2	653	100.0
Defence Production.....	22	1.6	519	38.0	26	1.9	791	57.9	9	0.6	1,367	100.0
External Affairs.....	10	0.7	398	29.3	48	3.5	820	60.5	81	6.0	1,357	100.0
International Joint Commission.....	2	22.2	1	11.1	1	11.1	5	55.6	—	—	9	100.0
Finance.....	2	0.4	118	25.8	4	0.8	334	73.0	—	—	458	100.0
Comptroller of the Treasury.....	1	—	729	17.0	2	—	3,554	82.7	11	0.3	4,297	100.0
Royal Canadian Mint.....	9	4.6	7	3.6	18	9.3	12	6.2	148	76.3	194	100.0
Tariff Board.....	5	29.4	2	11.8	—	—	10	58.8	—	—	17	100.0
Fisheries.....	84	7.1	47	4.0	603	51.0	237	20.0	212	17.9	1,183	100.0
Governor General's Secretary.....	—	—	4	26.7	—	—	11	73.3	—	—	15	100.0
House of Commons.....	3	1.4	24	10.9	—	—	98	44.5	95	43.2	220	100.0
The Senate.....	—	—	6	16.2	—	—	16	43.3	15	40.5	37	100.0
Library of Parliament.....	14	48.3	—	—	—	—	11	37.9	2	6.9	29	100.0
Insurance.....	14	15.2	30	32.6	2	6.9	48	52.2	—	—	92	100.0
Justice.....	14	15.2	38	12.0	2	0.6	216	68.2	—	—	317	100.0
Commissioner of Penitentiaries.....	61	19.2	13	13.8	20	21.3	54	57.5	—	—	94	100.0
Labour.....	7	7.4	90	16.1	30	5.4	392	69.9	—	—	560	100.0
	44	7.9							4	0.7		

Unemployment Insurance Commission.....	9	0.1	4,655	59.3	2	—	3,168	40.4	15	0.2	7,849	100.0
Mines and Technical Surveys.....	586	25.3	53	2.3	1,145	49.5	366	15.8	165	7.1	2,315	100.0
Dominion Coal Board.....	1	5.6	2	11.1	1	5.6	14	77.7	—	—	18	100.0
National Defence.....	515	1.9	585	2.2	4,358	16.4	11,986	45.2	9,111	34.3	26,555	100.0
National Gallery of Canada.....	4	6.2	5	7.7	21	32.3	24	36.9	11	16.9	65	100.0
National Health and Welfare.....	688	23.7	134	4.6	269	9.3	1,477	50.8	338	11.6	2,906	100.0
National Library.....	12	28.6	—	—	3	7.1	25	59.5	2	4.8	42	100.0
Public Archives.....	22	23.7	3	3.2	18	19.4	49	52.6	1	1.1	93	100.0
National Revenue — Customs and Excise.....	14	0.2	959	12.8	393	5.3	5,938	79.4	175	2.3	7,479	100.0
National Revenue — Taxation Division.....	30	0.5	2,687	44.4	76	1.3	3,247	53.6	16	0.2	6,056	100.0
Northern Affairs and National Resources.....	367	18.1	251	12.3	374	18.4	722	35.5	319	15.7	2,033	100.0
Post Office.....	10	—	2,453	10.7	70	0.3	10,690	46.7	9,688	42.3	22,911	100.0
Privy Council.....	2	1.4	42	29.9	3	2.1	94	66.6	—	—	141	100.0
Public Printing and Stationery.....	5	0.8	48	7.5	109	17.1	384	60.3	91	14.3	637	100.0
Public Works.....	348	7.3	94	2.0	438	9.2	647	13.5	3,254	68.0	4,781	100.0
Royal Canadian Mounted Police.....	2	0.2	5	0.5	48	4.7	951	92.3	24	2.3	1,030	100.0
Secretary of State.....	107	15.0	220	30.8	8	1.1	377	52.7	3	0.4	715	100.0
Trade and Commerce.....	24	2.2	294	26.4	358	32.1	433	38.9	5	0.4	1,114	100.0
Dominion Bureau of Statistics.....	188	11.1	37	2.2	120	7.1	1,352	79.5	2	0.1	1,699	100.0
National Energy Board.....	7	20.0	3	8.6	6	17.1	19	54.3	—	—	35	100.0
Board of Grain Commissioners.....	13	1.5	5	0.6	708	79.8	160	18.1	—	—	886	100.0
Transport.....	749	7.9	225	2.4	4,458	47.1	1,931	20.4	2,105	22.2	9,468	100.0
Air Transport Board.....	4	6.0	20	29.8	3	4.5	40	59.7	—	—	67	100.0
Board of Transport Commissioners.....	16	10.5	20	13.1	40	26.1	77	50.3	—	—	153	100.0
Canadian Maritime Commission.....	1	4.8	4	19.0	3	14.3	13	61.9	—	—	21	100.0
Veterans Affairs.....	2,057	18.0	853	7.4	808	7.1	3,385	29.6	4,335	37.9	11,438	100.0
Total, Civil Service.....	7,819	6.0	16,705	12.8	17,124	13.1	58,030	44.4	30,882	23.7	130,560	100.0

APPENDIX B-2

Appendix B-2—OCCUPATIONAL DISTRIBUTION OF FULL-TIME EMPLOYEES IN CROWN CORPORATIONS—SEPTEMBER, 1960

	Occupational Groups										Total	
	Professional		Administrative		Technical		Clerical		Service, Maintenance and Production			
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
<i>Departmental Corporations</i>												
Atomic Energy Control Board.....	2	25.0	1	12.5	—	—	5	62.5	—	—	8	100.0
National Research Council.....	683	28.1	36	1.5	941	38.6	395	16.2	379	15.6	2,434	100.0
<i>Agency Corporations</i>												
Atomic Energy of Canada Limited.....	478	18.2	84	3.2	511	19.4	411	15.6	1,145	43.6	2,629	100.0
Canadian Arsenals Limited.....	74	2.5	195	6.6	202	6.9	461	15.7	2,011	68.3	2,943	100.0
Canadian Commercial Corporation.....	1	1.8	13	23.2	—	—	42	75.0	—	—	56	100.0
Crown Assets Disposal Corporation.....	2	1.9	19	18.3	—	—	83	79.8	—	—	104	100.0
Defence Construction (1951) Limited.....	90	23.9	38	10.1	129	34.4	119	31.6	—	—	376	100.0
National Battlefields Commission.....	—	—	3	13.0	—	—	—	—	20	87.0	23	100.0
National Capital Commission.....	10	1.6	14	2.3	23	3.7	28	4.5	545	87.9	620	100.0
National Harbours Board.....	52	2.0	101	3.9	70	2.7	313	12.0	2,073	79.4	2,609	100.0
Northern Canada Power Commission.....	7	4.6	3	2.0	2	1.3	32	20.9	109	71.2	153	100.0
<i>Proprietary Corporations</i>												
Central Mortgage and Housing Corporation.....	86	4.6	177	9.4	475	25.3	1,009	53.9	127	6.8	1,874	100.0
Cornwall International Bridge Co. Limited.....	—	—	—	—	—	—	10	66.7	5	33.3	15	100.0
Export Credits Insurance Corporation.....	2	6.5	4	12.9	6	19.4	18	58.0	1	3.2	31	100.0
Farm Credit Corporation.....	7	2.9	15	6.1	66	26.9	157	64.1	—	—	245	100.0
St. Lawrence Seaway Authority.....	50	4.3	36	3.1	61	5.2	138	11.8	889	75.6	1,174	100.0

<i>Other Agencies</i>												
Canadian Wheat Board.....	—	—	40	5.8	—	—	626	91.1	21	3.1	687	100.0
Industrial Development Bank.....	49	18.9	76	29.3	—	—	134	51.8	—	—	259	100.0
Northern Ontario Pipe Line Crown Corporation.....	—	—	1	50.0	—	—	1	50.0	—	—	2	100.0
Custodian of Enemy Property.....	1	4.5	4	18.2	—	—	17	77.3	—	—	22	100.0
<i>Statutory Boards</i>												
Defence Research Board.....	590	21.2	30	1.1	973	34.9	580	20.8	612	22.0	2,785	100.0
Fisheries Research Board.....	156	28.8	32	5.9	191	35.3	62	11.5	100	18.5	541	100.0
National Film Board.....	6	0.8	207	28.2	252	34.3	227	31.0	42	5.7	734	100.0
Total.....	2,346	11.5	1,129	5.6	3,902	19.2	4,868	23.9	8,079	39.8	20,324	100.0

APPENDIX B-3

DEPARTMENT	PROFESSIONAL												GRAND TOTAL PROFES- SIONAL				
	PHYSICAL SCIENCE			BIO- LOGICAL SCIENCE	MEDICAL SCIENCE AND NURSING				LAW	SOCIAL SCIENCES AND OTHERS							
	Eng.	Other	Total		Med. Off.	Nurs- ing	Vets.	Total		Edu- ca- tion	Diet., Nutr., Home Econ.	Social Worker		Li- brar- ians	Econ. and Stat.	Other	Total
Agriculture.....	105	15	120	1,107	—	—	407	407	—	—	6	—	17	67	—	90	
Board of Broadcast Governors.....	—	—	—	—	—	—	—	—	1	—	—	—	—	1	—	1	
Citizenship and Immigration.	10	2	12	2	—	—	—	—	9	—	—	7	2	1	—	10	
Civil Service Commission.....	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	1	
Defence Production.....	11	—	11	—	—	—	—	—	4	—	—	—	—	7	—	7	
External Affairs.....	1	1	2	—	—	—	—	—	2	—	—	—	6	—	—	6	
International Joint Commission.....	1	—	1	—	—	—	—	—	1	—	—	—	—	—	—	—	
Finance.....	—	—	—	—	—	—	—	—	—	—	—	—	2	—	—	2	
Comptroller of the Treasury.	—	—	—	—	—	—	—	—	1	—	—	—	—	—	—	1	
Royal Canadian Mint.....	2	7	9	—	—	—	—	—	—	—	—	—	—	—	—	—	
Tariff Board.....	—	—	—	—	—	—	—	—	—	—	—	—	—	5	—	5	
Fisheries.....	16	6	22	31	—	—	—	—	2	—	7	—	2	20	—	29	
House of Commons.....	—	—	—	—	—	1	—	1	2	—	—	—	14	—	—	14	
Library of Parliament.....	—	—	—	—	—	—	—	—	—	—	—	—	—	14	—	14	
Insurance.....	—	—	—	—	—	—	—	—	—	—	—	—	2	1	—	3	
Justice.....	—	—	—	—	—	—	—	—	58	—	—	—	—	—	—	—	
Commissioner of Penitentiaries.....	3	4	7	—	—	—	—	—	—	—	—	—	—	—	—	—	
Labour.....	—	—	—	—	—	—	—	—	4	—	—	—	4	36	—	40	
Unemployment Insurance Commission.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Mines and Technical Surveys	93	485	578	—	1	—	—	1	9	—	—	—	7	—	—	7	
Dominion Coal Board.....	1	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—	
National Defence.....	244	38	282	—	8	62	—	70	3	142	—	—	11	5	2	160	
																1,724	
																2	
																5	
																7	
																1	
																515	

National Gallery of Canada.....	—	26	187	—	213	35	240	—	137	1	378	—	—	—	—	2	—	24	—	2	4	4
National Health and Welfare																5		12		60	688	
National Library.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	12	—	—	—	—	12	
Public Archives.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3	—	—	19	—	22	
National Revenue — Customs and Excise.....	—	—	10	10	—	—	—	—	—	—	4	—	—	—	—	—	—	—	—	—	14	
National Revenue — Taxation Division.....	—	—	—	—	—	—	—	—	—	—	27	—	—	—	—	—	3	—	—	3	30	
Northern Affairs and National Resources.....	110	14	124	208	—	—	—	—	—	—	3	12	11	5	4	—	—	—	—	32	367	
Post Office.....	9	—	9	—	—	—	—	—	—	—	1	—	—	—	—	—	—	—	—	—	10	
Privy Council.....	2	—	2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2	
Public Printing and Stationery	2	—	2	—	2	—	1	—	—	—	1	—	2	—	—	2	1	—	—	2	5	
Public Works.....	283	63	346	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	2	348	
Royal Canadian Mounted Police.....	1	1	2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2	
Secretary of State.....	105	—	105	—	—	—	—	—	—	—	2	—	4	19	—	—	—	—	—	—	107	
Trade and Commerce.....	1	—	1	—	—	—	—	—	—	—	—	—	—	—	—	4	184	—	23	24	24	
Dominion Bureau of Statistics	—	—	—	—	—	—	—	—	—	—	—	—	4	—	—	4	—	—	188	188	188	
National Energy Board.....	4	—	4	—	—	—	—	—	—	—	1	—	1	—	—	1	—	—	2	2	7	
Board of Grain Commissioners.....	—	11	11	—	—	—	—	—	—	—	—	—	—	—	—	—	2	—	2	2	13	
Transport.....	289	436	725	—	2	1	—	—	1	—	3	—	4	11	1	—	—	16	1	16	749	
Air Transport Board	—	—	—	—	—	—	—	—	—	—	3	—	—	—	—	—	3	—	—	1	4	
Board of Transport Commissioners.....	12	—	12	—	—	—	—	—	—	—	1	—	—	—	—	—	3	—	—	3	16	
Canadian Maritime Commission.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1	
Veterans Affairs.....	5	47	52	5	242	1,552	—	—	—	—	1,794	47	84	—	—	—	—	—	19	159	2,067	
Total.....	1,336	1,327	2,663	1,388	494	1,753	408	2,655	193	142	108	95	117	411	47	920	7,819					

DEPARTMENTAL	ADMINISTRATION				TECH- NICAL AND IN- SPEC- TION	OFFICE				SERVICE AND MAINTENANCE					GRAND TOTAL	
	Man- ageri- al	Ac- count- ing	General	Total		Clerks	Stenos.	P.C.E. Op.	Off. Mach. Op.	Tel. Op. Comm.	Total	Crafts and Trades	Stores and Bldg.	Other S. & M.		Total
Agriculture.....	112	—	72	184	2,496	584	574	23	22	2	1,205	59	108	405	572	6,181
Auditor General's Office.....	4	106	—	110	—	14	2	—	—	—	16	—	1	—	1	127
Board of Broadcast Governors.....	2	—	1	3	—	14	5	—	—	—	19	—	—	—	—	24
Chief Electoral Officer.....	—	—	2	2	—	8	2	—	—	—	10	—	9	—	9	21
Citizenship and Immigration.....	65	—	436	501	28	1,690	470	7	3	7	2,177	13	48	1	62	2,801
Civil Service Commission.....	210	—	12	222	4	277	128	10	8	2	425	—	1	—	1	653
Defence Production.....	487	—	32	519	26	520	237	5	13	16	791	—	9	—	9	1,367
External Affairs.....	327	—	71	398	48	434	280	—	12	94	820	—	81	—	81	1,357
International Joint Commission.....	1	—	—	1	1	2	3	—	—	—	5	—	—	—	—	9
Finance.....	91	—	27	118	4	248	60	2	8	16	334	—	—	—	—	458
Comptroller of the Treasury.....	4	195	530	729	2	2,628	390	220	315	1	3,554	3	8	—	11	4,297
Royal Canadian Mint.....	1	—	6	7	18	7	5	—	—	—	12	143	5	—	148	194
Tariff Board.....	2	—	—	2	—	4	6	—	—	—	10	—	—	—	—	17
Fisheries.....	7	—	40	47	603	147	87	—	2	1	237	5	8	199	212	1,183
Governor General's Secretary.....	1	—	3	4	—	4	7	—	—	—	11	—	—	—	—	15
House of Commons.....	9	—	15	24	—	78	20	—	—	—	98	—	95	—	95	220
The Senate.....	3	—	3	6	—	13	3	—	—	—	16	—	15	—	15	37
Library of Parliament.....	—	—	—	—	2	10	1	—	—	—	11	—	2	—	2	29
Insurance.....	5	19	6	30	—	30	7	—	11	—	48	—	—	—	—	92
Justice.....	28	—	10	38	2	98	112	—	6	—	216	—	—	—	—	317
Commissioner of Penitentiaries.....	—	—	13	13	20	31	23	—	—	—	54	—	—	—	—	94
Labour.....	11	—	79	90	30	245	113	17	17	—	392	—	4	—	4	560
Unemployment Insurance Commission.....	2	—	4,653	4,655	2	2,121	936	24	28	59	3,168	—	15	—	15	7,849

APPENDIX C

Appendix C—EDUCATIONAL CHARACTERISTICS OF FULL-TIME CIVIL SERVICE EMPLOYEES—SHOWING LEVEL OF UNIVERSITY DEGREES BY DEPARTMENT, AREA OF SPECIALIZATION AND OCCUPATIONAL GROUP—SEPTEMBER, 1960

No	Department or Agency	Professional								
		Physical Science						Biological Science		
		Engineering			Other			*B	*M	*D
		*B	*M	*D	*B	*M	*D			
1	Agriculture.....	91	9	—	14	3	2	293	382	445
2	Auditor General's Office.....	—	—	—	—	—	—	—	—	—
3	Board of Broadcast Governors.....	1	—	—	—	—	—	—	—	—
4	Chief Electoral Officer.....	—	—	—	—	—	—	—	—	—
5	Citizenship and Immigration.....	7	—	1	1	—	—	2	—	—
6	Civil Service Commission.....	—	—	—	—	—	—	—	—	—
7	Defence Production.....	14	—	—	—	—	—	—	—	—
8	External Affairs.....	1	—	—	—	—	1	—	—	—
9	International Joint Commission.....	1	—	—	—	—	—	—	—	—
10	Finance.....	—	—	—	—	—	—	—	—	—
11	Comptroller of the Treasury.....	—	—	—	—	—	—	—	—	—
12	Royal Canadian Mint.....	—	—	—	7	—	—	—	—	—
13	Tariff Board.....	—	—	—	—	—	—	—	—	—
14	Fisheries.....	15	—	—	7	—	—	27	6	—
15	Governor General's Secretary.....	—	—	—	—	—	—	—	—	—
16	House of Commons.....	—	—	—	—	—	—	—	—	—
17	The Senate.....	—	—	—	—	—	—	—	—	—
18	Library of Parliament.....	—	—	—	—	—	—	—	—	—
19	Insurance.....	—	—	—	—	—	—	—	—	—
20	Justice.....	—	—	—	—	—	—	—	—	—
21	Commissioner of Penitentiaries.....	2	—	—	4	—	—	—	—	—
22	Labour.....	—	—	—	—	—	—	—	—	—
23	Unemployment Insurance Commission..	—	—	—	—	—	—	—	—	—
24	Mines and Technical Surveys.....	101	7	9	207	90	179	—	—	—
25	Dominion Coal Board.....	1	—	—	—	—	—	—	—	—
26	National Defence.....	158	25	—	21	5	—	—	—	—
27	National Gallery of Canada.....	—	—	—	—	—	—	—	—	—
28	National Health and Welfare.....	19	8	1	123	27	40	14	5	14
29	National Library }	—	—	—	—	—	—	—	—	—
30	Public Archives }	—	—	—	—	—	—	—	—	—
31	National Revenue-Customs & Excise....	—	—	—	6	2	—	—	—	—
32	National Revenue-Taxation.....	—	—	—	—	—	—	—	—	—
33	Northern Affairs & National Resources	92	5	—	2	5	4	102	65	33
34	Post Office.....	7	1	—	—	—	—	—	—	—
35	Privy Council.....	1	1	—	—	—	—	—	—	—
36	Public Printing & Stationery.....	2	—	—	—	—	—	—	—	—
37	Public Works.....	237	11	—	25	—	—	—	—	—
38	Royal Canadian Mounted Police.....	1	—	—	—	—	1	—	—	—
39	Secretary of State.....	92	8	2	—	—	—	—	—	—
40	Trade and Commerce.....	1	—	—	—	—	—	—	—	—
41	Dominion Bureau of Statistics.....	—	—	—	—	—	—	—	—	—
42	National Energy Board.....	4	—	—	—	—	—	—	—	—
43	Board of Grain Commissioners.....	—	—	—	1	1	8	—	—	—
44	Transport.....	226	19	—	248	164	3	—	—	—
45	Air Transport Board.....	—	—	—	—	—	—	—	—	—
46	Board of Transport Commissioners.....	6	—	—	—	—	—	—	—	—
47	Canadian Maritime Commission.....	—	—	—	—	—	—	—	—	—
48	Veterans Affairs.....	4	—	—	24	3	—	4	1	—
TOTALS.....		1,084	94	13	690	300	238	442	459	492
TOTAL DEGREES.....		1,191			1,228			1,393		

* B: Bachelor's; M: Master's; D: Doctor's

Professional																
Medical Science and Nursing									Law			Education			No.	
Medical Officers			Nursing			Veterinarians			*B	*M	*D	*B	*M	*D		
*B	*M	*D	*B	*M	*D	*B	*M	*D								
—	—	—	—	—	—	435	1	1	—	—	—	—	—	—	1	
—	—	—	—	—	—	—	—	—	1	—	—	—	—	—	2	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3	
—	—	—	—	—	—	—	—	—	7	—	—	—	—	—	4	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6	
—	—	—	—	—	—	—	—	—	3	1	—	—	—	—	7	
—	—	—	—	—	—	—	—	—	1	1	—	—	—	—	8	
—	—	—	—	—	—	—	—	—	1	—	—	—	—	—	9	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	10	
—	—	—	—	—	—	—	—	—	1	—	—	—	—	—	11	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	12	
—	—	—	—	—	—	—	—	—	2	—	—	—	—	—	13	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	14	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	15	
—	—	—	—	—	—	—	—	—	—	—	2	—	—	—	16	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	17	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	18	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	19	
—	—	—	—	—	—	—	—	—	43	8	1	—	—	—	20	
—	—	—	—	—	—	—	—	—	4	—	—	—	—	—	21	
—	—	—	—	—	—	—	—	—	8	—	—	—	—	—	22	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	23	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	24	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	25	
7	—	—	1	1	—	—	—	—	3	—	—	26	57	56	26	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	27	
242	—	—	12	—	—	—	—	1	2	—	—	—	—	—	28	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	29	
—	—	—	—	—	—	—	—	—	3	1	—	—	—	—	30	
—	—	—	—	—	—	—	—	—	21	5	—	—	—	—	31	
—	—	—	—	—	—	—	—	—	2	—	1	—	—	—	32	
—	—	—	—	—	—	—	—	—	1	—	—	—	—	—	33	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	34	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	35	
—	—	—	2	—	—	—	—	—	—	—	—	—	—	—	36	
—	—	—	—	—	—	—	—	—	—	1	—	—	—	—	37	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	38	
—	—	—	—	—	—	—	—	—	2	—	—	—	—	—	39	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	40	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	41	
—	—	—	—	—	—	—	—	—	1	—	—	—	—	—	42	
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	43	
—	—	—	—	—	—	—	—	—	2	1	1	—	—	—	44	
—	—	—	—	—	—	—	—	—	3	—	—	—	—	—	45	
—	—	—	—	—	—	—	—	—	1	—	—	—	—	—	46	
—	—	—	—	—	—	—	—	—	1	—	—	—	—	—	47	
229	—	—	4	—	—	—	—	—	44	1	—	—	—	—	48	
478	—	—	19	1	—	435	1	2	157	19	5	26	57	56		
478			20			438			181			139				

Appendix C—EDUCATIONAL CHARACTERISTICS OF FULL-TIME CIVIL SERVICE EMPLOYEES—SHOWING LEVEL OF UNIVERSITY DEGREES BY DEPARTMENT, AREA OF SPECIALIZATION AND OCCUPATIONAL GROUP—SEPTEMBER, 1960—Continued

No.	Department or Agency	Professional								
		Social Sciences and Other								
		Diet., Nutr., Home Econ.			Social Workers			Librarians		
		*B	*M	*D	*B	*M	*D	*B	*M	*D
1	Agriculture.....	7	—	—	—	—	—	18	—	—
2	Auditor General's Office.....	—	—	—	—	—	—	—	—	—
3	Board of Broadcast Governors.....	—	—	—	—	—	—	—	—	—
4	Chief Electoral Officer.....	—	—	—	—	—	—	—	—	—
5	Citizenship and Immigration.....	—	—	—	2	3	—	2	—	—
6	Civil Service Commission.....	—	—	—	—	—	—	1	—	—
7	Defence Production.....	—	—	—	—	—	—	—	—	—
8	External Affairs.....	—	—	—	—	—	—	4	1	—
9	International Joint Commission.....	—	—	—	—	—	—	—	—	—
10	Finance.....	—	—	—	—	—	—	2	—	—
11	Comptroller of the Treasury.....	—	—	—	—	—	—	—	—	—
12	Royal Canadian Mint.....	—	—	—	—	—	—	—	—	—
13	Tariff Board.....	—	—	—	—	—	—	—	—	—
14	Fisheries.....	7	—	—	—	—	—	1	1	—
15	Governor General's Secretary.....	—	—	—	—	—	—	—	—	—
16	House of Commons.....	—	—	—	—	—	—	—	—	—
17	The Senate.....	—	—	—	—	—	—	—	—	—
18	Library of Parliament.....	—	—	—	—	—	—	9	3	—
19	Insurance.....	—	—	—	—	—	—	—	—	—
20	Justice.....	—	—	—	—	—	—	2	—	—
21	Commissioner of Penitentiaries.....	—	—	—	—	—	—	—	—	—
22	Labour.....	—	—	—	—	—	—	3	1	—
23	Unemployment Insurance Commission..	—	—	—	—	—	—	—	—	—
24	Mines and Technical Surveys.....	—	—	—	—	—	—	7	1	—
25	Dominion Coal Board.....	—	—	—	—	—	—	—	—	—
26	National Defence.....	—	—	—	—	—	—	6	4	—
27	National Gallery of Canada.....	—	—	—	—	—	—	—	1	—
28	National Health and Welfare.....	10	2	—	12	3	—	4	1	—
29	National Library.....	—	—	—	—	—	—	13	2	3
30	Public Archives.....	—	—	—	—	—	—	—	—	—
31	National Revenue—Customs & Excise..	—	—	—	—	—	—	1	—	—
32	National Revenue—Taxation.....	—	—	—	—	—	—	5	2	—
33	Northern Affairs & National Resources	—	—	—	6	6	—	—	—	—
34	Post Office.....	—	—	—	—	—	—	—	—	—
35	Privy Council.....	—	—	—	—	—	—	2	—	—
36	Public Printing and Stationery.....	—	—	—	—	—	—	1	—	—
37	Public Works.....	—	—	—	—	—	—	—	—	—
38	Royal Canadian Mounted Police.....	—	—	—	—	—	—	—	—	—
39	Secretary of State.....	—	—	—	—	—	—	3	1	—
40	Trade and Commerce.....	—	—	—	—	—	—	3	—	1
41	Dominion Bureau of Statistics.....	—	—	—	—	—	—	1	—	—
42	National Energy Board.....	—	—	—	—	—	—	—	—	—
43	Board of Grain Commissioners.....	—	—	—	—	—	—	4	1	—
44	Transport.....	—	—	—	—	—	—	—	—	—
45	Air Transport Board.....	—	—	—	—	—	—	—	—	—
46	Board of Transport Commissioners.....	—	—	—	—	—	—	—	—	—
47	Canadian Maritime Commission.....	—	—	—	—	—	—	—	—	—
48	Veterans Affairs.....	68	1	—	14	23	—	—	—	—
TOTAL.....		92	3	—	34	35	—	92	19	4
TOTAL DEGREES.....		95			69			115		

* B: Bachelor's; M: Master's; D: Doctor's

Professional															
Social Sciences and Other									Administration						
Economists and Statisticians			Other			Administration A			Administration B			Administration C			No.
*B	*M	*D	*B	*M	*D	*B	*M	*D	*B	*M	*D	*B	*M	*D	
37	21	7	—	—	—	74	12	7	—	—	—	25	10	—	1
—	—	—	—	—	—	1	—	—	41	3	—	—	—	—	2
—	1	—	—	—	—	1	1	—	—	—	—	—	—	—	3
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4
—	—	1	—	—	—	43	9	—	—	—	—	73	31	3	5
—	—	—	—	—	—	127	31	1	—	—	—	1	1	—	6
4	2	—	—	—	—	75	12	1	—	—	—	6	1	—	7
—	—	—	—	—	—	148	144	29	—	—	—	15	4	1	8
—	—	—	—	—	—	1	—	—	—	—	—	—	—	—	9
—	—	—	—	—	—	60	27	6	—	—	—	7	—	—	10
—	—	—	—	—	—	1	—	—	31	5	1	28	3	—	11
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	12
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	13
3	3	—	—	—	—	—	—	—	—	—	—	6	2	—	14
11	9	—	—	—	—	1	2	1	—	—	—	1	—	—	15
—	—	—	—	—	—	2	—	—	—	—	—	3	2	—	16
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	17
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	18
13	1	—	—	—	—	5	—	—	16	1	—	3	—	—	19
—	1	—	—	—	—	14	6	—	—	—	—	4	—	—	20
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	21
17	12	7	—	—	—	—	3	2	—	—	—	19	8	—	22
—	—	—	—	—	—	—	—	—	—	—	—	73	14	2	23
—	—	—	—	—	—	1	—	6	—	—	—	13	1	—	24
—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	25
4	1	—	—	2	—	9	2	1	—	—	—	92	14	2	26
—	—	—	—	—	1	—	—	—	—	—	—	1	1	—	27
9	14	2	—	1	—	7	2	3	—	—	—	27	12	4	28
—	—	—	11	10	2	—	—	—	—	—	—	—	—	1	29
—	—	—	—	—	—	5	1	—	65	28	—	56	1	—	30
—	—	—	—	—	—	8	3	—	437	107	—	30	4	—	31
1	—	—	—	—	—	17	8	—	—	—	—	66	20	2	32
—	—	4	—	5	1	8	—	—	—	—	—	9	2	—	33
—	—	—	—	—	—	5	4	1	—	—	—	9	5	—	34
1	—	—	—	—	—	1	—	—	—	—	—	11	1	1	35
—	—	—	—	—	—	6	2	1	—	—	—	17	1	—	36
—	1	—	—	—	—	—	—	—	—	—	—	1	—	—	37
—	—	—	—	—	—	2	1	—	—	—	—	95	32	8	38
—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	39
11	6	2	—	—	—	177	44	6	—	—	—	13	2	—	40
120	61	10	—	—	—	1	1	1	—	—	—	8	1	1	41
1	1	—	—	—	—	—	—	—	—	—	—	1	—	—	42
1	1	—	—	—	—	—	—	—	—	—	—	—	—	—	43
4	7	2	—	—	—	9	3	1	—	—	—	16	1	—	44
1	—	—	—	—	—	1	1	—	—	—	—	3	3	—	45
3	—	—	—	—	—	3	1	—	2	1	—	—	—	—	46
—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	47
—	—	—	5	8	5	5	—	1	—	—	—	91	6	—	48
241	142	35	16	26	9	818	320	68	593	144	1	825	183	25	
418			51			1,206			738			1,033			

Appendix C—EDUCATIONAL CHARACTERISTICS OF FULL-TIME CIVIL SERVICE EMPLOYEES—SHOWING LEVEL OF UNIVERSITY DEGREES BY DEPARTMENT, AREA OF SPECIALIZATION AND OCCUPATIONAL GROUP—SEPTEMBER, 1960—Concluded

Department or Agency	Technical			Total Number of Degrees by Department			Total	Percentage of Employees with Degrees
	*B	*M	*D	*B	*M	*D		
Agriculture.....	266	27	—	1,260	465	462	2,187	35.3
Auditor General's Office.....	—	—	—	42	3	—	45	35.4
Board of Broadcast Governors.....	—	—	—	3	2	—	5	20.8
Chief Electoral Officer.....	—	—	—	—	—	—	—	—
Citizenship and Immigration.....	—	1	—	137	44	5	186	6.6
Civil Service Commission.....	1	—	—	130	32	1	163	25.0
Defence Production.....	2	—	—	104	16	1	121	8.8
External Affairs.....	2	—	—	171	150	31	352	25.9
International Joint Commission.....	—	—	—	3	—	—	3	33.3
Finance.....	—	1	—	69	28	6	103	22.5
Comptroller of the Treasury.....	—	—	—	61	8	1	70	1.6
Royal Canadian Mint.....	—	—	—	7	—	—	7	3.6
Tariff Board.....	—	—	—	3	3	—	6	35.3
Fisheries.....	20	2	—	97	22	1	120	10.1
Governor General's Secretary.....	—	—	—	1	—	—	1	6.7
House of Commons.....	—	—	—	5	2	2	9	4.1
The Senate.....	—	—	—	—	—	—	—	—
Library of Parliament.....	—	—	—	9	3	—	12	41.4
Insurance.....	—	—	—	37	2	—	39	42.4
Justice.....	1	—	—	64	15	1	80	25.2
Commissioner of Penitentiaries.....	2	—	1	8	—	1	9	9.8
Labour.....	10	1	1	53	25	10	88	15.7
Unemployment Insurance Commission..	2	1	—	83	15	2	100	1.3
Mines and Technical Surveys.....	60	4	4	389	103	198	690	29.8
Dominion Coal Board.....	—	—	—	2	—	—	2	11.1
National Defence.....	96	21	5	423	132	64	619	2.3
National Gallery of Canada.....	4	2	1	5	4	2	11	16.9
National Health and Welfare.....	16	10	4	497	85	69	651	22.4
National Library }.....	1	—	—	25	12	6	43	31.9
Public Archives }.....	—	—	—	135	33	—	168	2.2
National Revenue—Customs & Excise..	—	—	—	498	119	—	617	10.2
National Revenue—Taxation.....	—	—	—	313	118	46	477	23.5
Northern Affairs & National Resources	21	2	1	25	3	—	28	0.1
Post Office.....	—	—	—	16	10	1	27	19.1
Privy Council.....	—	—	—	18	1	1	20	31.3
Public Printing and Stationery.....	—	—	—	300	18	1	319	6.7
Royal Canadian Mounted Police.....	—	—	—	2	1	1	4	0.4
Secretary of State.....	5	—	—	196	41	10	247	34.5
Trade and Commerce.....	3	2	—	208	55	8	271	24.3
Dominion Bureau of Statistics.....	23	2	—	155	65	13	233	13.7
National Energy Board.....	—	1	—	8	2	—	10	28.6
Board of Grain Commissioners.....	2	—	1	4	2	9	15	1.7
Transport.....	34	3	—	543	199	7	749	7.9
Air Transport Board.....	—	—	—	10	4	—	14	20.9
Board of Transport Commissioners.....	4	—	—	18	1	—	19	12.4
Canadian Maritime Commission.....	—	—	—	2	—	—	2	9.5
Veterans Affairs.....	2	—	—	494	43	6	543	4.7
TOTALS.....	591	83	18	6,633	1,886	966	9,485	7.3
TOTAL DEGREES.....	692			9,485				

* B: Bachelor's; M: Master's; D: Doctor's

4 PAPERWORK AND SYSTEMS MANAGEMENT

MANAGEMENT OF THE PUBLIC SERVICE

REPORT 4: PAPERWORK AND
SYSTEMS MANAGEMENT

PUBLISHED BY THE QUEEN'S PRINTER OTTAWA CANADA FOR
THE ROYAL COMMISSION ON GOVERNMENT ORGANIZATION

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A number of briefs from individuals, business firms and associations offered comments on a variety of problems associated with this area of our inquiries, and these have been fully considered. A list of these submissions will be found in our final report.

Your Commissioners in acknowledging the assistance and advice received, dissociate all the above-named persons and groups from any of the findings and conclusions appearing in Part 1 or Part 2 of this report; for these, your Commissioners assume full responsibility.

PART 1

1

INTRODUCTION

Your Commissioners are directed to inquire into and report on the organization and methods of operation of the departments and agencies of the Government of Canada, and to recommend changes which will promote efficiency, economy and improved service.

In the public service, as in private enterprise, administrative processes must provide for speedy communication of accurate information. Records and systems are therefore essential to good management, and their design must be efficiently ordered so that timely decisions can be taken with full knowledge by the right people, at a reasonable cost. The common danger, calling for constant surveillance, is that superfluous information may be recorded and too freely circulated, thus clogging the channels of communication and wasting public funds.

This report, therefore, treats with the systems and procedures in use and their suitability: it examines the major problems which result from the necessary handling of large volumes of records, as well as the efficiency of machines and equipment; it deals directly with what the public call "red tape", the internal paperwork of public administration. The problems associated with the filling out of 100,000,000 government forms by the public each year will be discussed in subsequent reports.

It is hardly necessary to emphasize the importance of this subject. Unless administrative procedures are well conceived and carried out two major losses result. First, the performance of public servants and the conduct of government business is seriously impaired. Second, the money costs of inefficiency,

by reasons of the great volume of material handled, are very substantial, running literally into many tens of millions of dollars annually.

The adequacy of administration has, further, a special bearing on certain personnel problems. Morale is directly involved: frustration, blind alleys, non-recognition of meritorious performance and involuntary discrimination, all flourish under faulty procedures and organization. Good performance depends upon sound organization and methods no less than on good employees.

Your Commissioners are highly critical of existing conditions and regard the opportunities for improvement as challenging in the extreme. Almost entirely, the criticism is directed at the pattern of management, rather than at the people who, as a whole, are working under severe handicaps. Possibly because no one has clear responsibility for this aspect of management, there is an appalling lack of understanding of present deficiencies and a general lack of concern about the money wastage.

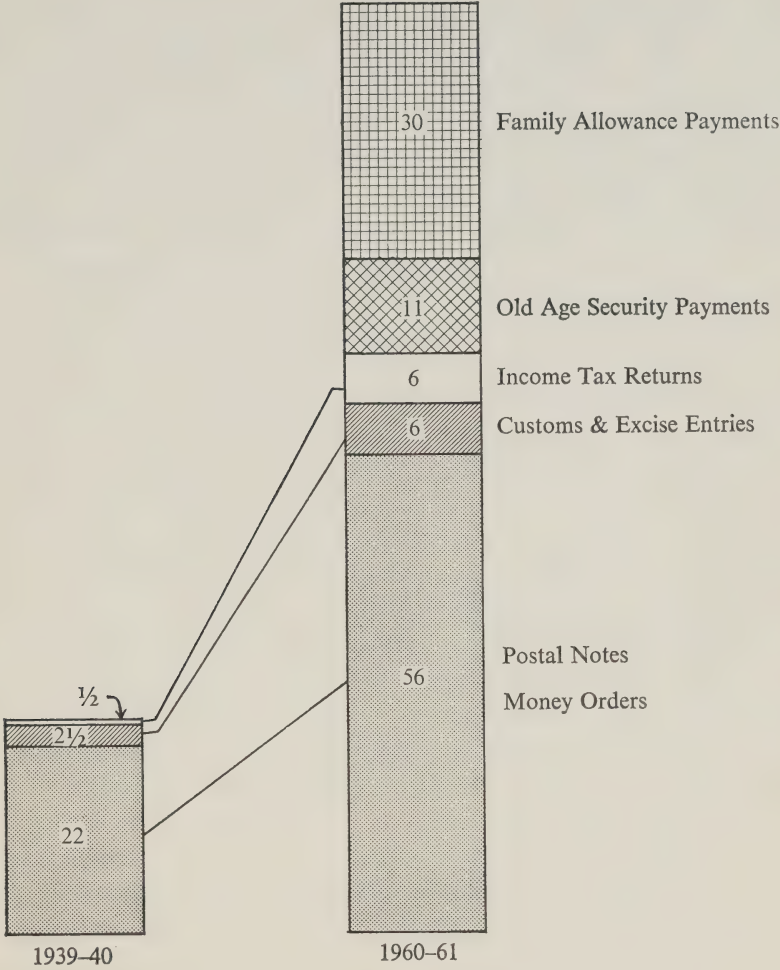
Within the purview of the individual administrator, organization and paper-work procedures take on the character of irritating but inevitable annoyances. They have none of the interest or drama of major policy issues, and when they are given attention it is usually because of some emergency. The tendency towards "empire-building" may actually induce some administrators to avoid streamlining procedures. For all these reasons, the prime requisite of any solution is recognition of the need for a positive policy and continuous application to the task of keeping procedures and systems in harmony with current conditions.

THE PUBLIC BUSINESS

The estimated total paperwork bill in 1961 amounted to about \$500,000,000, about one-twelfth of the total budget. At least 100,000 civilian and military employees (one out of every eight clerical workers in Canada) are engaged in the routine operations of typing, despatching, recording, filing and storing correspondence, and in the preparation of reports, forms and directives which circulate throughout the public service. At least 2,500,000 cubic feet of records are stored on government premises, and each year adds 250,000 cubic feet of filing space—the equivalent of 83 railway box cars. Ten miles of shelving are annually being added to hold new books and publications acquired by departments. Disbursements of the government each year exceed seventy-seven million separate items. The numbers employed and the volume of work constantly increase.

As the scale of government activity has grown, the necessity of preserving records has exerted a cumulative pressure on existing procedures and facilities.

The extent of recent growth in a few areas of activity where much paper originates is pictorially presented.



(Figures in Millions of items)

This growing volume of records is necessarily retained for varying lengths of time. For example, the Central Mortgage and Housing Corporation must maintain records of the hundreds of thousands of mortgages under its jurisdiction. The Department of Agriculture collects annually millions of reports concerning the 600,000 farmers participating in various agricultural programmes. The Armed Forces must keep track of over 500,000 different stores items.

THE NATURE OF THE PROBLEM

The mounting tide of paper can inundate the public service unless management pays strict attention to regulating its flow and directing it into useful channels. Records have a life cycle. They are conceived, brought into the world, live a more or less purposeful life in active files, tend to reproduce themselves, and in old age are decently cared for in dormant storage. When they have no further purpose to serve, they are cremated. Haphazard control of any stage in the life cycle can be disastrous in so massive an operation.

The records found in government are not all alike, and each produces its own problems for management. Forms must be controlled to keep their number within bounds and to achieve standardization. Reports must be kept under continuous scrutiny to weed out those no longer required and to ensure that those in use contain the required data. Internal instructions and regulations require equally close surveillance if they are to be kept current, consistent and intelligible. Drafting, dictating, typing and mailing of correspondence require the development of standards and the application of procedures and equipment designed for efficient production and prompt despatch. Records, in all their varied forms, must be filed in cabinets or recorded on film, with a minimum of duplication, and so stored that they can be quickly turned up for reference purposes. With the passage of time, records lose their value for reference purposes and orderly procedures are required to ensure timely transfer from high-cost office space and equipment to low-cost records centres, and eventual removal to the Public Archives or to the macerating machine.

Office equipment, from the simple typewriter to the complex electronic computer, is needed to prepare, maintain and make use of the records. Furniture and supplies are required for the operations within each office. The choice of the most appropriate equipment, and its systematic arrangement in the proper environment, must be regulated in accordance with carefully developed standards. In particular, the electronic computer, with its enormous potential and rapidly developing technology, is already a major element of the paperwork problem. If costly errors in application are to be avoided, skills of the highest order are required. These electronic devices are servants, not masters, and analysis of their suitability for any task must be objective and include a matching of cost against value to the user.

The performance of staffs engaged in processing paperwork, either manually or by machine, is amenable to accurate measurement. Work measurement techniques, using acceptable standards, can gauge productivity. Work simplification, designed to train supervisors and workers to analyse their own jobs in search of simpler and less costly methods, can also be applied. It is also

possible to check the quality of the work performed and the standards of service being provided. These are samples of the impressive array of modern tools available to management.

All elements of the paperwork process in government fall within the realm of systems management. They may lack drama and for that reason be relegated to the limbo of neglect. But paperwork is the inseparable adjunct of government and provides the basis for most decision-taking. Management cannot afford to neglect either paperwork or the thousands of employees who preside over its mysteries. Sporadic attention is not enough. The problems are never wholly solved and new ones are constantly arising. Diligent attention both within departments and at the centre of government is continuously required and is an integral part of the management function.

The Government of Canada processes by far the largest number of records in the country. Therefore, it has potentially the most to gain from the adoption of new methods and equipment designed to cope with paperwork problems. Because of the size and importance of possible savings, the government might be expected to provide leadership in developing new techniques. Instead of setting an example to the Canadian business world, the government trails private enterprise in this important field.

In the Government of Canada, there is a need for managers at all levels to take an aggressive and positive approach to the development and application of new methods. The dividends, direct and indirect, from such a policy will be great. Your Commissioners believe that a minimum of \$50 million may be saved annually through improved performance in this area. Of equal significance will be the improvement in the morale and effectiveness of civil servants which will be gained from an enlightened management approach to this presently neglected field of public administration.

2

MANAGEMENT OF THE PUBLIC RECORDS

Public records have a unique importance for governments. In earlier centuries they were used mainly to document the obligations of citizens to their governments. With the rise of democratic governments, however, it became even more important to record the obligations of a government to its people. Records must be created, maintained and preserved in such a way that a contemporary democratic government can be held fully accountable to the public for its activities.

Many of the problems encountered in the use and disposition of public records stem from a lack of control over their creation. The way in which a record is generated frequently affects the way it can be filed or otherwise disposed of. Therefore, the anticipated use of a record and its probable disposition should determine its form at the time of creation. Every day millions of individual pieces of paper are born; some serve a useful life and many others are copies serving little or no purpose, but most of them are destined to find their way into the 200,000 filing cabinets of the government. There is urgent need for a comprehensive plan to control the products pouring from typewriters, duplicating machines, and high speed printers of electronic computers.

FORMS

There is no precise record of the number or cost of all government forms, or of the cost of processing them. However, it is estimated that more than 100,000 different forms are printed at a cost of at least \$5.5 million annually. Few

departments appear to have any appreciation of the much more substantial cost of the clerical procedures attending these forms—an annual bill of \$100 million for the whole public service.

The proliferation of forms is a problem which faces every large organization. Forms control measures are therefore a necessary part of the supervisory structure; to be successful, they must be strict in judgment and swift in execution. A well-known authority has wisely observed: «At least once every five years every form should be put on trial for its life». Probably less than half of the government's forms are subject to a review of any kind and, of those that are, very few are reviewed by trained analysts. In many departments, forms control units have no jurisdiction over field offices which create and use most of the departmental forms. In these circumstances, headquarters units review as little as fifteen per cent of the department's forms. Of the forms control or design staff interviewed, less than one-third had any formal training or professional experience in this area.

Where control of forms exists, it is mainly confined to initial design, procurement, and stock control. Analysis of procedures giving rise to the forms is generally overlooked, although considerable benefits could result. For example, one small clerical group, provoked by the sight of an old-fashioned ledger sheet, redesigned it, reduced its size by twenty-six per cent through the elimination of unnecessary columns, and printed it in one colour instead of three. The purchase price was reduced from \$40.00 per thousand to \$2.14 per thousand, and the labour cost to complete the 125,000 annual entries was reduced by \$8,400. Comparison of personnel forms reveals that no two departments follow the same paperwork procedures; as a result, in nine departments alone, 450 different personnel forms are used. Procedures and forms differ so much that, when 1,200 employees were recently transferred from one department to another, one man-year was required to transcribe personnel data from one set of records to another.

Many of the forms to be filled out by the public are produced both in English and in French. A few have been designed as bilingual forms and where, as a result, the convenience of the public is better served, the extension of such practice is warranted. As an example, the form used by Canadians returning from abroad to make claim for statutory exemptions from customs duty should be prepared in both languages.

No central agency in government has facilities and expert staff able to assume responsibility for assisting and educating departments in forms management. The Treasury Board, for example, has some responsibility for the management of forms, but has neither the facilities nor the analytical staff to promote a suitable programme. The Department of Public Printing and Sta-

tionery has some qualified staff but no authority to act. The Canadian Government Specifications Board has some facilities and a limited responsibility but no staff. The Management Analysis Division of the Civil Service Commission has qualified staff, who have access to the facilities required, but it has no responsibility.

The intelligent application of a programme for managing forms would result in an estimated minimum saving in printing cost of one million dollars annually; the annual cost of processing forms should be reduced by at least \$10 million.

REPORTS

The preparation and processing of internal and external reports cost at least \$50 million annually. There is no evidence of a regular review of reports in government; agencies and departments generally do not maintain inventories of all their reports, and most are inadequately informed as to the frequency of preparation or extent of the distribution of copies of reports. Nowhere in the government has any training been given on the subject of reports management, nor are there any guide-lines to help departmental staff install and operate a report control programme.

At every point in the inquiry, your Commissioners found reports which served no useful purpose, or cost more than their use justified; many were initiated years ago to supply specific information on a single occasion. Far too often, a report is made simply to report that there is nothing to report. In one department, forty-four reports, used by no one, are still prepared and widely distributed. In one headquarters organization, copies of 6,000 field purchase orders were being received every month for review only on an «as time permits» basis; as a result, a six to eight months' backlog had accumulated. During the course of this inquiry, the department agreed that this procedure could be discontinued, with the result that 400 man-hours are being saved annually and 72,000 pieces of paper eliminated. This example shows that, when an unnecessary report or a redundant form is abandoned, not only is the cost of preparation and reproduction saved, but a wasteful procedure may also be eliminated. Substantial savings would accrue from the establishment of programmes to ensure that reports are necessary, are doing the job for which they are intended, and are worth the cost of preparation.

DIRECTIVES

Directives are a formalized way of ensuring that work is carried out in a specifically intended manner; of promoting a reasonable degree of uniformity and

integration throughout an organization; and of providing guidance to employees. Up to \$5 million a year is spent to develop, print and distribute procedural manuals, policy directives and instructions to government employees.

Departments and agencies issue administrative directives ranging from informal memoranda to large sets of manuals. One department has five different sets of directives, totalling over forty series contained in more than thirty volumes. In another department, the branches have produced ten manuals which are centrally co-ordinated only at the proofreading stage. Close to 24,000 volumes of these manuals have been distributed in this department, representing 6,000 shelf feet of instructions for upward of 10,000 employees; the annual cost for printing and binders is over \$84,000, which is only a fraction of the amounts spent on developing, writing, reviewing, distributing, reading and filing the manuals.

In another department, administrative manuals were not brought up-to-date regularly. As a result, division heads issued separate instructions which eventually superseded so many parts of the manuals that the latter have fallen into disuse, thereby wasting the time and money spent on their creation. In the Armed Forces, to take another instance, the appropriate action required when personnel are absent without leave is referred to in thirty different places. Again, in one of the civil departments, there are at least twenty-seven different circulars or directives on the subject of «authorizing powers». None of the departments and agencies studied has developed adequate central control and co-ordination of its directives, with the result that there is a creeping disintegration of the directive system and wasteful duplication of the subjects covered.

A further complicating factor is that additional regulations and directives are issued by two central control bodies, the Civil Service Commission and the Treasury Board. These texts are often so involved that departments have had to develop their own personnel or administrative manuals to interpret them for their own people. Even these departmental efforts to facilitate interpretation of the original regulations may themselves be rewritten at several levels in the organization. Departmental manuals and directives should quite properly spell out the authorized deviations from the general rules; but far too often they attempt to re-explain the original regulations and may actually go so far as to invalidate them.

Each agency of the public service must, to a large extent, establish its own directives, but this should not prevent them from following certain standards relating to style, form, reproduction, quality, binders and paper size. It is equally important that these directives should not be so detailed as to restrict the proper use of judgment; they should set standards and act as guides to the

man in charge of operations without depriving him of all initiative. Greater attention to the clarity of directives will improve communications within the public service, and standardization of physical form will achieve important savings.

CORRESPONDENCE

The fifty million letters produced annually in the Canadian government cost approximately \$50 million. They vary in cost from 15¢ for a form letter to \$1.75 for an individually dictated letter of average length. If departmental managers were to make full and effective use of the mechanical aids and procedures available to deal with correspondence, the public service could make substantial savings. The fact is that, as with the other areas examined in this report, correspondence management will richly reward proper cultivation.

There is very little mechanization of correspondence. Only five of the agencies surveyed reported use of some type of automatic typewriter. One notable exception is the Civil Service Commission, which is progressively handling a large part of its correspondence through extensive use of pre-approved paragraphs and letters produced on typewriters from punched tape. The form letter and the guide-paragraph permit large volumes of routine and repetitive correspondence to be handled expeditiously, but the savings from the use of such techniques are not fully realized. In dealing with personnel matters, for example, form letters can be used extensively, but the extent of their use by personnel branches in different departments varies from two to sixty-eight per cent of their correspondence.

Over half of all government letters are individually prepared. If only a small proportion of these were converted to pre-printed and stocked form letters, the resultant savings would be impressive. A further important saving could be made by converting other individually prepared letters to pre-approved guide letters. Approximately one-quarter of all correspondence produced in the government is initially hand-drafted, the most inefficient and expensive way to produce correspondence. Probably eighty per cent of the hand-drafted correspondence could readily be dictated to machines, with consequent significant savings.

Another costly practice is the preparation of letters by junior levels for the signature of a senior executive who has not delegated signing authority to appropriate levels. These letters frequently pass up and down several times for rewriting at several levels before final approval, signature and despatch. About five million of these individually prepared letters, costing approximately \$1.50 to \$1.75 each, are probably written at least twice. With adequate dele-

gation of authority, it should be possible to cut the rewriting at least in half and, here again, the saving would be significant.

Not unimportant is the common requirement that the business of a department must always be recorded in English. Thus, if a letter is received in French, and is to be dealt with by a bilingual employee, it will usually be translated into English, a reply will be prepared in English, and a translation into French will be made for mailing. This procedure is costly, time-consuming and cannot but be frustrating to some French-speaking personnel. Present practice appears to involve much unnecessary translating and re-translating; and there are major gains in morale and productivity to be achieved by a more flexible, imaginative and considerate approach.

Full advantage has not been taken of the benefits to be gained from proper utilization of stenographic and transcribing pools. The usual objections, alleging poor service and poor quality, are only valid where the pools are badly administered, where production standards are not set, or where insufficient training is given. In one department, where three-quarters of the total correspondence is transcribed by an efficient pool staff, the basic standard of production, met by the lowest grade typists, is 825 lines per day of good quality. In another departmental pool, the average production is only 244 lines per day; here little use is made of dictating equipment and 12,000 lines a day are being typed from long-hand drafts. Stenographic pools provide opportunities for progressive training, the application of incentives, the use of work measurement, the introduction of quality control, and for effective work distribution to alleviate problems caused by peak workloads.

MAILING AND FILING

The government spends at least \$34 million annually, including postage cost, to process over one hundred million incoming letters and to despatch double that total of outgoing mail of all kinds.

The time required to get a piece of mail from the mailroom to an action desk varies from a matter of minutes to nine working hours. The principal reason for this delay is the complex mailroom-registry relationship. Departmental officials have long been accustomed to having their incoming mail arrive at their desks on the relevant file. Thus, in addition to the usual mail processes, most of the filing must also be completed before the mail is delivered. Mailrooms are not always conveniently located or adjacent to the files or registries. In such cases, since the mail and filing activities are so intertwined, either some of the filing process must take place in the mailroom, requiring additional registry controls, or the mail must be delayed by routing it first to the registry. In these circum-

stances, a double messenger service is normally required—one operated by the mailroom, the other by the registry. This system, whereby an incoming letter is immediately attached to its file, accounts for approximately three-quarters of the total cost of delivering a piece of mail to the action desk and compels messengers to trot about daily with tons of paper.

There are many other reasons for delay. About half the mailrooms examined, all handling approximately the same volume, are not equipped with mechanical openers to speed up this routine operation. Over half the departments time-stamp all mail, including newspapers and periodicals. In some departments, a précis of mail is prepared as an additional finding aid to supplement the main file classification system. Most of these delaying actions are a consequence of the deficient classifications and indexes used for departmental filing systems.

The government has well over 2,500,000 cubic feet of records, of which 1,500,000 cubic feet are alleged to be active and are kept in prime office space. The filing equipment required to house this vast accumulation of records has required the expenditure of well over \$10 million. Every year a cost is incurred of \$5 million for floor space to house these records and more than \$28 million for the twelve thousand people required to service them. Annually, at least 250,000 cubic feet of records are created, utilizing 30,000 filing cabinets and almost 180,000 square feet of space.

Present filing practices cannot cope with the vast amount of data being accumulated, and their inadequacy is bound to prejudice future operations. As the business memory of the organization, files containing millions upon millions of individual facts and prior decisions must be maintained so that vital information may be extracted quickly and economically. Filing systems in the departments and agencies are generally inadequate or non-existent. Frequently, many different systems are in use within the same department, rendering it difficult to classify, file and find a record. In one department, ten separate indexes are in use to help the filing staff to find information, and searches frequently take from one to three days. In many file rooms, extremely elaborate systems of inspection are in use, requiring as many as ten file clerks inspecting full-time. File inspection as a continuing procedure is of dubious value. It rarely discloses errors and, in reality, may contribute to error, because both «user» and registry personnel depend upon it to overcome initial sloppy handling.

Electronic equipment has opened dramatic new possibilities for processing quantitative information; since large volumes of data can now be manipulated at high speeds, records susceptible to this treatment need to be identified, and a new imaginative approach taken to the storage and retrieval of information. It is useless to retain a piece of paper if it cannot be found when required.

Unfortunately, the government has no systematic and efficient approach to the storage and retrieval of information which is accumulating in vast amounts at an ever-increasing rate. Failure to file and recover this information effectively has led to costly duplication of effort and inefficient expenditure of manpower.

The physical condition of the files generally shows indifferent maintenance and a lack of planning. Very few departments have deliberately located their files close to points of greatest use; and very little use is made of shelf filing, which saves at least fifty per cent of floor space required for filing cabinets. There are few pieces of modern equipment; cabinets and other filing equipment were found in many departments to be in deplorable condition. Filing folders of poor quality are often used to hold papers for long-term or even permanent retention; conversely, costly file holders contain papers which should be destroyed within a matter of months.

Savings in excess of \$5 million a year could be realized by simplifying both the processing of mail, and the storage and retrieval of information.

RECORDS DISPOSITION

Since the establishment of the Public Archives Records Centre in 1955, over 200,000 cubic feet of inactive departmental records have been taken from over-crowded, high cost, office space, and placed in the cheaper space of the Records Centre. As a result of these transfers, over 12,000 filing cabinets, 21,000 transfer cases, 33,000 linear feet of shelving, and about 136,000 square feet of office space have been released for re-use by departments. Meanwhile, the Records Centre has become full and is in urgent need of more space. It has been established that it is more economical to store original records in low cost records centres for twenty or twenty-five years than it is to use microfilm solely to conserve prime office space.

Departments variously report that from fifty to ninety-five per cent of their records are being disposed of on a regular schedule. These figures are exaggerated. Some departments were found to be using out-dated regulations as a basis for disposition of records; several, by their own admission, are varying the intent of instructions. Most schedules contain over-long retention periods, with no provision to transfer the obviously inactive files to the Records Centre. In nine departments in Ottawa, 228,000 cubic feet of files and records are presently held in office space, and departments estimate that thirty per cent of them are dormant. If a proper records disposal schedule were in effect, considerably more than this thirty per cent could either be transferred to the Public Archives Records Centre for cheaper storage, or destroyed. For example, in one department with 32,000 cubic feet of records, more than 20,000

cubic feet are semi-active or dormant, and at least eighty per cent of these could either be destroyed or transferred to the Records Centre.

At least sixty per cent of the government's records are in field offices outside the Ottawa headquarters area. These field units, with no equivalent records centres available, must use office or storage space, mainly in leased premises, to house their dormant records. Consideration should therefore be given to the establishment of records centres under the Dominion Archivist in other parts of Canada, to serve at least those areas where there is a major concentration of federal government offices.

Ever since the early days of the federal government, attempts have been made periodically to improve the handling of public records. Various commissions and committees have investigated the problem and made recommendations. Several years ago, the present Public Records Committee, consisting of senior public servants, was established and, in concert with the Treasury Board, has been seeking improvements. Part of this programme is the authorization of disposal schedules providing for the destruction or transfer of records from more costly office space. Nevertheless, dormant or inactive records still exceed one million cubic feet. Policy direction, which is permissive rather than mandatory, is unlikely to have much impact on this problem.

Responsibilities for the management of public records are defined in Order in Council P.C. 212, dated February 16, 1961. However, it is doubtful whether any committee can adequately «keep under constant review the state of the public records», or effectively advise departments and agencies «as may be required» in the «care, housing and destruction of public records». It is not sufficient to say that the departments and agencies should «where practicable, schedule their records for retirement or eventual destruction or long-term retention».

To accomplish the orderly disposition of public records, an adequate legislative base is needed. It should provide for both the required central leadership and the conduct of departmental programmes. Large sums of money could be saved annually by effective implementation of centrally co-ordinated programmes, utilizing sound disposal schedules and adequate records centres both in Ottawa and in the field.

A records centre is the half-way-house between the records-creating departments on the one hand and the archives on the other. Few federal departments have their own archives, the final repository of most records of permanent historical value being the Public Archives of Canada. The special role of this agency is considered at length in Part 2 of this report. The governmental libraries, as well as the National Library, are less directly concerned with the processes of records scheduling and disposal, but, in so far as libraries are

essential to decision-making by management, their function is akin to that of the public records. The administrative and staffing problems associated with the work of federal government libraries are also subjects for special consideration in Part 2.

3

EQUIPMENT, FACILITIES AND SUPPLIES

No study of paperwork procedures can ignore either the machines that produce and process huge quantities of paper, or the facilities and supplies needed to accommodate these machines and the people that serve them. The main tools available for clerical workers in early days, the pen and copy-book, have been supplanted today by an awesome array of automatic typewriters, calculators, photocopiers, bookkeeping machines, punched card sorters and printers, and electronic computers. The period of intensive development in new methods of handling facts and figures coincided with the growth of the modern public service in Canada. The continuing development of office mechanization has received notable impetus from the application of electronic technology to the automatic processing of large quantities of data.

AUTOMATIC DATA PROCESSING

Ten years ago, government departments and agencies were spending over one million dollars annually on the rental of punched-card equipment to process large masses of data. The expenditure has now risen to \$2.5 million, in respect of forty-five separate installations. In 1957 the first medium-sized data processing computer in the public service was installed to audit the payroll of the Canadian Army; in 1959 the Royal Canadian Air Force installed a large computer for stock control; and, in 1960 a similar large computer was acquired by the Dominion Bureau of Statistics to process the 1961 Census of Canada. In three years the annual cost of electronic data processing equipment, based on rental

value, has risen from \$70,000 to \$1,250,000. Present plans will almost double this cost in the next three years with the installation of five computers for paying government employees, processing income tax returns, and other major operations. The complete cost of automatic data processing for 1961 for equipment, salaries and accommodation is in excess of \$10 million.

Treasury Board regulations cover the approval of expenditure on equipment and services, and the co-ordination of personnel selection and training. But the regulations are not concerned with the installation and management of automatic data processing equipment after approval has been granted. Neither the Management Analysis Division of the Civil Service Commission, nor the Inter-departmental Committee on Electronic Computers which was created to advise the Treasury Board, has issued operating standards or guides. The Committee is not equipped to advise departments on technical aspects, and has not taken the initiative in promoting new applications. Departments and agencies have been left free to formulate individual policies, to evaluate their own needs, and to initiate, plan and operate their own installations.

Departments have had no real guidance on how to conduct the preliminary studies that must precede any intelligent decision to use automatic data processing methods. One result is that attempts to justify some installations on economic grounds have failed to recognize the high cost of obsolescence, and cost calculations have sometimes omitted a realistic evaluation of the time over which initial investment costs should be absorbed. In one instance, over-optimistic estimates of potential use by other departments significantly affected the calculations used to justify acquisition of a computer. Furthermore, decisions to embark on new installations too often depend on comparisons only with the costs of existing procedures, without due regard to economies and increased efficiency possible through improving the existing systems which might make the case for the proposed computer less compelling.

This hit-and-miss approach has resulted in several unco-ordinated electronic data processing installations. Although the advantages of operating these expensive machines at maximum capacity are substantial, no consolidated record of available machine time is maintained so as to permit better planning of the utilization of existing and proposed equipment. The computer acquired for the 1961 Census was intended to be the nucleus of a government data processing service centre, but there is no evidence of any concrete plans to this end. The result is the development of plans by separate departments for the installation, by the end of 1962, of three large computers, side by side, in Ottawa. The total work planned for these computers for the next three years could be comfortably handled by two large machines, with a saving of one million dollars in expenditure. The development of a central data processing service in Ottawa and a series

of regional service centres outside Ottawa presents formidable problems which merit immediate attention.

Technicians are needed to plan, operate and control the machines, and a whole new group of skills is required. Despite the early recommendations by the Interdepartmental Committee on Electronic Computers, the public service has not succeeded in recruiting a sufficient number of electronic data processing specialists. In 1956, the Interdepartmental Committee asked the Civil Service Commission to establish classifications and standards for such new technical personnel, but these were not issued until October, 1961. There is still no good staffing policy, and a high rate of turnover results from inadequate recognition of the status and needs of data processing personnel, particularly in the Armed Forces. Obviously, management in the public service has not readily adapted itself to, or met the needs of, the new technology.

Beyond the practical day-to-day management problems of data processing, an awareness of continuing developments in this field is essential. Although there is an urgent need to make the best possible use of the few technically qualified people presently scattered throughout the public service, there is no scheme for pooling skills and experience. There is no rotation of such personnel among departments and agencies, and no recognized forum where they could exchange information and ideas on common problems. The government is not making the best use of its accumulated experience, for adequate interdepartmental and external communications and joint activities offer new possibilities for economies and improved service.

Extended use of data transmission facilities has special significance for the Canadian Government with its widespread operations. The development of a countrywide system to facilitate business communications between large organizations, including governments, necessitates study of such matters as compatible equipment and common coding relating to materials and persons. Within the federal government alone, there is a multiplicity of numbering systems for individuals; three of these together cover nearly half the population. Provincial governments and corporations likewise have many coding systems designed to meet specific information purposes, and new independent numbering systems will appear as automatic data processing expands to new fields. The real benefits from integrating the flow of information can only be realized by automatic handling throughout, which will facilitate the exchange of common information between different systems. A numbering system that could be used to identify individuals for all purposes would contribute significantly to improved efficiency, both in government and outside.

The duplication and mistakes of the past, when automatic data process-

ing was in its infancy, will be multiplied many times in the future unless concerted action is taken promptly to ensure skillful application of this new technology.

OFFICE EQUIPMENT AND FURNITURE

Excluding the major Crown corporations, the government spends about \$1,750,000 a year on machines for adding, calculating, typing and dictating, and on a variety of other small pieces of office equipment. Although no accurate inventory is available, it is known that about 80,000 units of small machinery and equipment, including 55,000 typewriters, are owned by the government. As the largest customer for office furniture in Canada, the government spends approximately \$2,250,000 each year for the purchase and maintenance of desks, file cabinets, and other office furnishings. In 1961, for example, over 5,000 desks were purchased. The present inventory of office furniture has a replacement value of over \$40 million.

Inappropriate equipment means a serious loss of time and a lowering of efficiency, productivity and morale. Government supervisory personnel have limited knowledge of the various types of equipment that are available, or of their potential in reducing costs and improving the quality of work. One government department was found to have spent over \$75,000 on twelve book-keeping machines to perform operations which could have been done better manually and at less cost; in another, where the volume and type of work indicated a need for electric typewriters, none of the hundred machines in use is electric; and in another, three-quarters of the typewriters are over fifteen years old. In one office, over half the sixty-two dictating machines were found to be idle; in another, with fifteen dictating machines, less than one letter a day was being dictated to each machine.

The failure to procure the appropriate equipment can be ascribed partly to the lack of competent management services groups, both at the central level and in the departments. With one notable exception, no department or agency has ever prepared a satisfactory guide describing the characteristics of the more commonly used office equipment. Another reason for this unsatisfactory situation is that the acquisition of a new piece of equipment is frequently a long, difficult and frustrating operation. Many examples have been recorded of delays in procurement ranging from six months to two years. While the necessity for senior approval can act as a desirable deterrent to unwarranted requests, the slowness of present procedures discourages departmental personnel from initiating justifiable improvements.

FACILITIES AND SUPPLIES

Government departments and agencies occupy approximately thirty-four million square feet of office space, eighty per cent of which is provided and maintained, at no charge to the user, by the Department of Public Works, at an annual cost of about \$85 million.

Variations in space occupied by employees are substantial and, in many instances, based on neither logic nor need. In practice, use of space is often in excess of established government standards and far in excess of standards prevailing in industry; elsewhere, personnel are sometimes badly housed, particularly where the buildings are either old or poorly planned for the uses to which they are put. More effective utilization of space will be brought about by charging departments and agencies for its use. In addition, a positive programme of facilities management is needed to reassess present standards, to apply sound principles of layout, and to encourage wise use of facilities. Improved morale and efficiency would be accompanied by very substantial annual savings.

While some progress has been made towards standardizing office supplies and stationery, much remains to be done. In twenty-seven years, the Canadian Government Specifications Board has established standards for less than one hundred such items. About nine hundred commonly used office supplies and stationery forms, including the standardized items, are listed in a catalogue of stock items issued to all government departments by the Department of Public Printing and Stationery. Departments and agencies requisition catalogued articles without further approval; requests for those that are not catalogued must be approved by the Treasury Board and these specially approved items may thereafter be ordered direct from the Department of Public Printing and Stationery. In practice, Treasury Board approval of two thousand non-catalogued articles has undermined attempts to encourage the use of standard items.

The satisfaction of day-to-day requirements for space, equipment and supplies is the responsibility of several different agencies, and clarification of authority is required to ensure that these common services are efficiently provided. The development of standards and the reduced use of non-standard items must be vigorously encouraged. However, your Commissioners believe that suppliers of services should exercise no control over the users, and that the cost of services should be borne by the user. This principle would require, for instance, that the service agency charged with common procurement would be primarily responsible for acquisition on the best possible terms and prompt delivery of the articles requisitioned by departments, with the cost thereof borne by the departments.

4

MEASUREMENT OF PERFORMANCE

The quality and quantity of work produced by 100,000 civilian and military clerks in the public service is important to every Canadian taxpayer. Modern techniques of work measurement, work simplification, and quality control, properly applied in the government service, could improve quality and reduce paperwork costs by over \$25 million annually.

In many government offices, massive clerical routines, such as filing, typing, addressing and mailing cheques, have taken on an assembly-line appearance, involving many small repetitive operations. However, over half the departments and agencies surveyed do not apparently recognize the need for controls to ensure a reasonable output for salaries paid, relying entirely upon the subjective judgment of the immediate supervisor to evaluate performance. In the others, control techniques are generally primitive; for example, the commonest is comparison of the output of a group of clerks in one office with the output of a group of clerks performing the same work in other offices or at other times. Implicit in this method is acceptance of the faulty premise that optimum performance is achieved by the group of clerks with the highest output, whereas methods study and work measurement would show that this is rarely true. Modern work measurement techniques eliminate the inaccuracies that result from placing reliance on individual judgment and on comparison with past experience.

In general, there is little recognition of the real meaning of scientific work measurement; of how it should be applied, the benefits to be gained, the dangers of misuse, or its cost in terms of time, staff and money. The few successful pro-

grammes can be attributed to the initiative and enthusiasm of a few individuals, and such efforts to measure performance as have been made by departments have been isolated and incomplete. There is virtually no training in this subject anywhere in the public service, except at the Royal Canadian Ordnance Corps School in Montreal. The Management Analysis Division, which should have provided guidance and assistance to departments and agencies in developing their own programmes, has only one person qualified in work measurement and has distributed no guides for general use.

Since the clerical work in the public service involves large volumes of paper and many repetitive actions, much of it can be measured effectively at reasonable cost. Once work is measured, performance can be evaluated, and experience elsewhere has shown that competent supervision can usually increase output over fifty per cent above that of workers not subject to such standards. Work measurement and labour productivity standards applied broadly in the government service would result in annual economies of major importance.

In the flurry of making sweeping changes and installing new programmes, which often employ the more exciting electronic equipment, the man on the job is frequently overlooked as a potential contributor to greater efficiency. A trained systems analyst is not the only person capable of improving a method; the individual operator himself is often in the best position to recognize unnecessary copying, duplication, wasted motions, delays, and uneven work flow; and his supervisor should also be close enough to the job to recognize where significant improvements can be made.

Work simplification thrives, therefore, at the individual work location. But at present, because tens of thousands of clerks are not being trained to watch for new and more effective methods, their potential contributions are being lost. These could be many and varied, such as rearrangement of desks and bookkeeping machines, changing sorting sequences, balancing work distribution, or in other ways. As an illustration of what can be achieved, it was noted in one department during a review of accounting operations that a specific set of records was being posted from forms which flowed in at such an uneven pace that the clerks were alternately busy and idle from day to day; but the idle clerks seldom assisted the busy ones. If the work in these sections were properly distributed, the staff could be reduced by at least thirty per cent.

Work simplification assists materially in the development of cost-consciousness at the operating level, and provides employees with a challenge and a satisfying sense of participation. Unfortunately, neither the Management Analysis Division nor the departmental organization and methods groups has any programme to train and enlist the help of the man on the job.

At least \$30 million is spent each year on checking the accuracy of govern-

ment paperwork. In one department, all payroll change notices are checked at a cost of approximately \$100,000 a year, equivalent to thirty per cent of the original cost of the operation. In one operation observed, documents received from the public were being subjected to no less than five stages of checking. Most of these checking procedures, which exist at all levels in the public service, stem from a desire to achieve perfection and to avoid the public criticism that may arise from comparatively insignificant mistakes. Even a complete verification of records and documents, though sometimes justified, is by no means infallible, because experience shows that checkers normally fail to detect from five to fifteen per cent of the errors present. In some cases, in recognition of this hazard, attempts are made to detect these errors by instituting a second, monotonous check of all items.

The purpose of all checking activities is to find errors and correct them; unfortunately, there is little attempt to correct the cause of the errors and reduce the need for verification—the “Quality Control” approach advantageously used in industry. To illustrate the true value of this approach, a departmental checking operation for payroll changes was analyzed, and it was determined that a quality control programme utilizing statistical sampling procedures could almost halve the cost. Furthermore, since nearly ninety per cent of the errors that occurred during the test period were due either to carelessness or to inadequate training of the originating personnel, rectification of weaknesses in the original operations would improve quality and reduce the amount of work to be done again.

The existing system of checking departmental expenditures prior to payment makes no use of statistical sampling techniques, nor are accounts of different dollar values given different emphasis. Equally scrupulous attention is given to items worth a few cents or thousands of dollars. Your Commissioners are satisfied that there is only superficial appreciation of the application of quality control and statistical techniques to paperwork. Neither the Management Analysis Division of the Civil Service Commission, nor any of the departmental organization and methods groups surveyed, has persons equipped with the necessary statistical skills or with an understanding of the uses of these skills for good managerial control. The introduction of these techniques, which should be in the repertory of government systems analysts, would enhance the level of service and save considerable sums each year.

5

SYSTEMS MANAGEMENT

Objectives and policies are translated into action by people, techniques, and machines, harnessed together so that the aims of the enterprise are achieved in the best possible way. A continuous programme of systems management is required throughout the public service to develop cost-consciousness, to keep abreast of new developments, to provide specialized skills in the implementation of new methods, and to train both manager and clerk in the use of these techniques. Systems must be subjected to regular examination to ensure that the benefits derived from an operation bear a reasonable relation to its cost.

Departments and agencies of the government seldom take a comprehensive look at all aspects of a system: if the equipment is well managed, the forms and instructions need attention; if the forms programme is well managed, one or more of the other elements of paperwork lack direction. The usefulness of systems and procedures is considered all too infrequently, because administrators are not alert to the need to equate cost and value. For example, about sixty-five per cent of the 300,000 departmental orders annually issued to the Queen's Printer for printing and supplies average only \$1.75; but no one seems concerned with the obvious fact that the accounting costs for billing and payment actually exceed the value of the goods.

Some legislation, in its detailed provisions, tends to impede or prevent the adoption of more modern systems. For example, the Customs Act and the Customs Tariff contain several detailed sections which have remained unchanged for over fifty years; they are expressed in terms inappropriate to

modern commerce, causing considerable impairment of the whole customs and excise field, untold nuisance to the public, and an exchange each year of thousands of needless letters and forms. In 1896 this legislation specified that the public should be charged a fee of 50 cents for additional copies of customs documents. To record the receipt of the 50 cents, and to prepare the copy of the required document, costs at least \$1.25; 100,000 such copies were provided in 1961, but no thought is being given, either to increasing the fee appropriately or to eliminating the charge altogether. Either measure would benefit the government, but would require a change in the law. While often used as an excuse for inaction, these legislative restrictions are real. Many small anomalies and restrictions that have no effect on policy are not removed, or their removal is deferred until a major revision of the statute is undertaken. In the interests of administrative efficiency, the number of detailed administrative provisions in legislation should be kept to a minimum.

There is urgent need for co-ordination and integration of systems that cut across departmental and agency boundaries, usually resulting in extravagant overlapping and duplication. For example, in the Department of Health and Welfare, the extensive Family Allowance and Old Age Security payments are an integral part of the department's programme, but all payments are subject to the authority of the Comptroller of the Treasury. Thus, because two departments with different standards are involved in what should be one system, there is extensive duplication and systems improvement is virtually hamstrung because system changes require the approval of both.

A prime function of the Dominion Bureau of Statistics is to act as a central statistical collection agency, but it is not uncommon to find the Bureau compiling information which duplicates that prepared independently in a department. The need for co-ordination of systems is further illustrated by the substantial duplication of information that exists in several independent card files pertaining to employers. In one department, alphabetical and numerical card files are kept on 313,000 employers; in another, employer statistics on hirings and separations are kept; in another, a punch card file of similar information on over 100,000 employers has been set up; in still another, some records are maintained but all the information is available in the three other departmental files. Similarly, information about planted acreage, size of farms, grain handled by farmers and the trade, and other subjects related to the farmer, is used by a number of separate units administering different statutes, but in most instances each unit collects and handles the data independently.

The difficulty in obtaining an inventory of manpower in the public service is mentioned elsewhere. Personnel records are duplicated and scattered throughout departmental personnel and pay offices, the Civil Service Commission, and

the Department of Finance. Despite the large sums spent to maintain these records, information essential to management is not readily available. Punched card equipment could have been utilized to develop a simple, standardized personnel-records system, and it is unfortunate that no plans exist for a comprehensive attack on this whole area of vital information.

It is evident, from the foregoing examples, that duplication and waste result from the isolated development of systems for the exclusive purposes of individual departments and agencies. Means must be established to develop systems and integrate them properly throughout the public service, without regard to departmental boundaries.

Efforts to improve systems, procedures and administrative practices in the public service are usually no more than emergency measures. Only limited benefits accrue from the employment of specialists to make hasty and narrow reviews of pressing problems. Often the tendency is to plug a hole when a new dike is required, or to concentrate on getting the job done with small regard for the eventual cost. Little thought is given, in the absence of a crisis, to re-examining systems that were designed for another age. Though some good work has been done throughout the public service by departmental management services groups and by the Advisory Services of the Civil Service Commission, their successes are comparatively few. Even the existence of the central Advisory Services is not well known, let alone the extent of the services they are able to provide. Management must be made aware of the need to pull the sluggish administrative machine out of the mire and put it on the right road.

The following illustrations are typical of the potential economies that abound in the public service:

- Since the inception of the programmes, Family Allowance and Old Age Security cheques have been paid from ten locations, but considerable economies could be achieved if payments were cycled and made from fewer offices or even from one central location.
- It is traditional practice to use stamps to signify that certain excise duties and taxes have been paid. In fact, so far as Canadian manufactured products are concerned, this has become a redundant safeguard. Over one million dollars annually could be saved by discontinuing the practice, but there is at present no positive attempt to assess these possibilities.
- In the Armed Forces, committees with common objectives have been studying integration of service payrolls and personnel records, within each service and across the three services, for ten years. Each time that a decision to integrate becomes imminent, another committee is formed—with much the same

experience as its predecessor. Payroll and personnel forms are no nearer integration in 1962 than they were in 1952.

Much of the work in the public service is necessarily repetitive and therefore amenable to standardization, but the establishment of standards and assessment of performance against them require close attention and careful planning. In the solution of these problems, the broad general approach can be an extravagance unless it leads to precise analyses, which require the attention of specialists. Although senior government officials are concerned with day-to-day operating problems, they tend as a group to assign too low a priority to systems and procedures. They are reluctant to make full use of the systems analysts within their departments, to accept assistance from a central advisory systems group, or to employ outside consultants. With the general lack of interest and unawareness of the potentialities of modern systems design and techniques, it is not surprising that opportunities for substantial improvement and cost reduction have been and continue to be ignored.

Positive action is required from departmental and agency management to employ the talent that exists both within and without the public service, and then to follow through with vigour to achieve the important potential economies exemplified by the foregoing illustrations. The present unsatisfactory situation stems in part from the withholding of proper authority and accountability from senior departmental management. But even with an effective devolution of authority, the substantial benefits available will only be secured by an enthusiastic approach, by the use of sufficient competent and specialized personnel, and by sustained pressure from senior officials.

6

MANAGEMENT SERVICES

Your Commissioners have found that the newer administrative techniques developed by large-scale industrial and commercial enterprises have been less than adequately utilized throughout the Government of Canada. Generally, forms and all their attendant procedures are not subjected to sufficiently stringent reviews by qualified staff. Reports, so essential to management and so costly to produce, are seldom evaluated to ensure either that they are actually being used or that their cost is reasonably related to the value of the information provided. Directives too often fail to provide the lucid instructions and guidance that employees should receive. Advantage is not being taken of the means at hand to reduce the cost of preparing correspondence and processing mail. Filing systems, in general, are inadequate and expensive, and the government is being slowly overwhelmed by the sheer volume of its own records.

Insufficient use has been made of electronic equipment developed in recent times to cope with the massive data processing tasks confronting public administrators, while at the same time, electronic equipment that has been acquired is not fully utilized. Nor, indeed, has proper use been made of the multitude of office machines and equipment designed to increase efficiency.

The performance of clerical workers is seldom assessed against properly developed standards, and there is practically no attempt to train the man on the job to analyze and improve his own performance. Generally, well-known statistical techniques have not been applied to the checking of accounts, forms and data—a common and costly activity in government. The failure to subject

systems to continuous analysis and control has resulted in a waste of human and financial resources. Such efforts as have been made to ameliorate this situation consist of a number of separate and unco-ordinated approaches to various aspects of systems and procedures by the Treasury Board and its staff, the Civil Service Commission, the Queen's Printer, the Department of Public Works, the Canadian Government Specifications Board, the Dominion Archivist, and a number of standing committees in the public service. Each of these authorities has only a partial or divided responsibility in this vital area.

The Advisory Services Branch of the Civil Service Commission, the only central administrative advisory unit in the government, has not made an appreciable dent in the mountain of administrative problems in fifteen years of operation. The present central advisory services, started in 1946, developed entirely within the Civil Service Commission to the present staff of about twenty-five. In its early years, this branch assisted the Commission and the Treasury Board in scrutinizing departmental manpower requirements. In consequence, departments and agencies became reluctant to make use of its services lest the information be used against them. Agencies not subject to the Civil Service Act did not use the service because they did not welcome Commission intervention in their operations. In the early 1950's, the policy changed and, while the Advisory Services Branch now restricts itself to providing advice and assistance on request, such requests for help are still made with some reserve.

The effectiveness of this Branch has been limited by two major weaknesses. First, it has attempted to do the work for departments rather than to train departments to do it for themselves. The departments and agencies of the Government of Canada are, collectively, too large and varied to be served adequately by a common management services agency. The requirements of this vast complex so disperse the efforts of a central service that it is rendered ineffective. At the centre, there must be common policy formulation, advice, guidance and training, but no apparatus for the conduct of work within the departments. The real work at the operational level has to be performed by the departments themselves.

Second, the Branch is located in an agency that is not subject to the Executive and has to do with only a part of the public service. Any central advisory service should clearly enjoy the backing of the government and its very location should be evidence of the importance assigned to its functions; thus, it should form part of the administrative link between Cabinet and the departments and agencies.

In short, leadership for administrative improvement must come from the top. A new dynamic programme is needed to bring government administration in

step with the development of the country and to hold costs within reasonable bounds. All levels must participate in the programme; goals must be set and performance reviewed. Money and manpower will have to be invested if worthwhile economies and greater efficiency are to be achieved. Finally, the principal objective of such a drive for administrative improvement must be the development within departments and agencies of skill in applying the best available administrative techniques.

CENTRAL ADVISORY SERVICES

In the report *A Plan for Management*, your Commissioners review methods of fostering the application of effective management practices throughout the public service. This function, in the view of your Commissioners, should be the responsibility of the Treasury Board and its President, served by a reorganized staff forming part of the Privy Council Office. The report on *Financial Management* recommends a major transformation in the approach of the Treasury Board, away from the detailed review of thousands of departmental submissions towards the review and approval of departmental programmes and objectives, both annual and long-term, so as to ensure compliance with government policy. The report on *Personnel Management* proposes that the Treasury Board staff develop personnel policies and standards, and appraise departmental performance in relation thereto. Your Commissioners believe a division should be created in the reconstituted Treasury Board staff to be concerned with administrative policy and procedures. This might be known as the Administrative Improvement Division.

The principal duties of the proposed Division should be:

- To develop broad administrative policy and guide-lines relating to organization, methods and operating procedures in the public service.
- To observe performance in the individual departments and agencies, and assist in the assessment of programmes and other matters to be dealt with by the Treasury Board. To be vigilant in the detection of overlap and duplication, and to develop long-range plans for government organization.
- To assist departments and agencies:
 - (a) in staffing and operating their own management services groups,
 - (b) in developing training programmes,
 - (c) in the development and use of common services,
 - (d) by issuing guides and manuals on techniques and the use of equipment and facilities,
 - (e) by encouraging research on administrative problems,

(f) by acting as a clearing house for management information.

Despite this formidable list of duties, it is essential that, like the other divisions of the Treasury Board staff, the size of the Administrative Improvement Division be kept small. The precise number cannot be estimated, but initial requirements will tend to be high because of the dimensions of the task. Particularly in its early years, this Division will need to draw upon resources outside the government, such as universities and consultants, for the skills required to prepare manuals and guides, conduct courses, and provide training. The Administrative Improvement Division should assist in the general appraisal of performance by individual departments and, through its close knowledge of operations, contribute to major policy and programme decisions by the Treasury Board. Policies should be designed to provide broad central direction, but they must not withhold from departmental management the authority required to provide good, efficient service.

Training should range from on-the-job instruction in work simplification to courses in management for senior officials. The Division should plan, coordinate and develop the government's training in administrative techniques. In addition, it should participate in both departmental and interdepartmental training programmes by arranging for instructors, drawn from its own numbers, or from universities and private companies, and by identifying and encouraging the use of training facilities that exist outside the public service. Training and research should be closely related. The Administrative Improvement Division should conduct research on administrative problems and support the work of departments or agencies that are pioneering on some administrative frontier. This type of support might usefully be extended to universities, companies and individuals outside the public service, when the results of the research are likely to be of direct benefit to public administration.

Guides and manuals should be produced and distributed as an important means of encouraging the application of good administrative practices. The Division could develop these manuals itself or commission their preparation either by a department or agency or by some organization outside the government.

The Division would advise the Board when major expenditures on automatic data processing equipment are being contemplated, to ensure that existing equipment is fully loaded and that proposed uses do not constitute duplication of existing information in other departments. It should encourage investigation of such possibilities as the provision of a central data processing service by the Comptroller of the Treasury (Accountant-General) or the audit of payrolls for the Department of National Revenue by the Unemployment Insurance Commission.

The staff of the Division will best be recruited from departments and agencies, and employed in the Division for a limited number of years. The injection of people recruited from industry will be both necessary and desirable, and the work of the central staff can be kept dynamic by the development of a programme of rotation. The Administrative Improvement Division should look to the common services agencies to assist in the development of policy and standards for approval of the Treasury Board.

The Division should have no authority to direct the activities of departments and agencies; nevertheless, its competence should give weight to the recommendations made to departments and agencies and to the Treasury Board. The Division should undertake a review of operations at the request of a department; but the authority of the Treasury Board to order such a review should be exercised only as a last resort.

The organization of the Government of Canada should be subjected to regular review by this Division, so that plans may be laid for orderly development. The Treasury Board will be responsible for a rational allocation of activities among departments and agencies; for the development and use of common services both in Ottawa and elsewhere; and for better integration of field operations. The essential approach of the proposed centrally located Administrative Improvement Division should be global concern for the quality of Canadian public administration and the development of effective management advisory services within departments and agencies.

DEPARTMENTAL MANAGEMENT SERVICES

The task of departmental management includes the management of money, the direction of people and the maintenance of efficient systems. The head of a department or agency requires the services of specialized staff groups for each of these functions, and the group responsible for the matters covered by the foregoing sections of this report is referred to as management services. A management services group, responsible to and strongly supported by the permanent head of the department or agency, is an essential part of this concept of government administration.

In many departments systems work is now ineffective because specialists are scattered in very small groups throughout the department, with no senior support or direction. In some cases, financial and operating branches have competing systems and procedures groups; and in others the administrative branch is responsible for systems and procedures, while another branch has all the work-measurement specialists. The work of a small group, as a staff unit within a branch or division of a department, is usually limited to emergency relief from

a pressing problem; the subordinate position of the group generally precludes identification and correction of the real source of trouble. The position of the management services group in the departmental organization structure should acknowledge that it is not a subordinate element of either financial control or personnel management, but that it exists to provide a distinct group of specialized staff services to managers at all levels.

The staff complement of management services groups will depend upon the requirements of particular departments. While the group should endeavour to have readily available within the department the skills normally required, it should have prompt access, through the service provided by Treasury Board, to skilled assistance from any part of the public service. Occasional need for a particular skill should be met either by the Administrative Improvement Division of the Treasury Board or by another department. Departments and agencies that are too small to justify their own management services group could be served by larger departments for a fee.

The primary objective of the departmental management services group is to get results by cutting costs and improving the quality of service through modern, proven administrative techniques. Investigations and reports are of little value in the solution of problems unless recommendations are implemented. The group should identify opportunities for potential improvement, develop and plan new systems, and help to install them by training operators and advising supervisors. Above all, the group should promote the use of its services; it should encourage all levels of the department to apply modern administrative techniques by demonstrating the improved performance that will result. Given the necessary status and with proper working arrangements, it should produce savings of at least ten times its cost, and probably more.

Savings of this magnitude require trained specialists, and it is evident to your Commissioners that there are too few such people in the public service. Unfortunately, the required skills are in short supply throughout Canada, and the government must therefore embark on a large-scale training programme to provide itself with trained staff. A training programme on administrative techniques is required, not only to produce the skilled practitioners of the desired quantity and quality, but also to educate managers and to create awareness of the need for improved systems and service in every corner of the public service. Technicians will be of limited value if they are employed in departments where managers are unaware of their potential. Failure to indoctrinate managers in the public service, who have come up through organizations where these tools are practically unknown, will weaken the impact of the drive for improvement. Moreover, such techniques as work-simplification training, which penetrate deeply into the ranks of a department, will reinforce the effectiveness of the

departmental systems specialists.

Your Commissioners have stated that departments and agencies should be entrusted with the authority to deal with many of the matters now being handled by the Treasury Board. However, in recognizing the overriding needs of the government for unity, consistency and a proper regard for the public interest, the recommended reorganization of the Treasury Board, with its three main divisions, will facilitate effective departmental management. The roles of the central and departmental management services groups described in this report are designed to meet this objective.

If a genuinely unified public service is to be achieved, the recommendations for improving management services should be applied to all departments and agencies. Your Commissioners have noted in other reports that some agencies have been granted special independent status as a matter of public policy or because they conduct commercial, revenue-producing operations akin to those in private enterprise. It is not intended that our recommendations should apply to these agencies, but as a practical matter they may well take advantage of the management services developed in accordance with the proposals in this report.

7

CONCLUSIONS AND RECOMMENDATIONS

Many recommendations are implied in the suggestions and comments throughout this report. However, your Commissioners make five comprehensive recommendations which should, if adopted, fill the needs and produce the benefits identified in this report.

MANAGEMENT SERVICES

Efficient conduct of the nation's business urgently requires the development of competent management services groups, both centrally and departmentally, to be responsible for achieving efficient operations through prudent use of recognized administrative techniques.

We therefore recommend that:

- 1 An Administrative Improvement Division be created to serve the Treasury Board and be responsible for initiation of policy on administrative procedures, promotion of improvement within departments and agencies, and co-ordination of inter-departmental and common service matters.
- 2 Management services groups within departments and agencies be created, strengthened and reorganized to carry out continuous programmes for administrative efficiency under the direction of the deputy head.

RECORDS

An authoritative statement of executive policy is required for controlling the creation, use, retention and disposition of public records, and ensuring both efficient administrative systems and proper documentation of government business. Generally, this policy should be promulgated by the Treasury Board acting on the advice of its proposed Administrative Improvement Division. However, particularly with respect to regulating the disposal of records, legislation is required.

We therefore recommend that: The allocation of responsibility for public records and the establishment of rules for their disposal be governed by legislation.

COMMON SERVICES

Because of the cost and capacity of electronic data processing equipment, it is essential that, except where individual departments can utilize fully their own installations, all electronic data processing should be performed as a common service.

We therefore recommend that: An electronic data processing service centre be established in Ottawa and, as required, in other major cities.

MANAGEMENT IMPROVEMENT SURVEYS

In the present era of the office revolution, management must be constantly alert to make the best use of innovations. Change, instead of being an occasional problem, must be recognized as a continuing process and the government should meet the challenge effectively.

We therefore recommend that: Administrative improvement programmes within the public service be continually reviewed and an independent external survey of the entire public service be undertaken at five or ten year intervals.

PART 2

1

CORRESPONDENCE

1 The creation, handling and filing of correspondence are among the most costly and time-consuming processes in modern government. At least fifty million letters and memoranda are written by public servants every year. This is approximately one million letters a week, or thirty thousand letters each working hour. Such a volume of correspondence demands specialist attention; and fortunately, techniques have been developed which, when properly applied, bring substantial improvements to the quality and cost of correspondence.

2 Several means were employed to study Canadian Government correspondence practices:

- Analysis of replies to a questionnaire distributed to departments and agencies.
- Interviews with representatives of ten government departments and agencies.
- A review of several thousand letters and memoranda.
- A review of correspondence and stenographic manuals and directives.

- A review of reports by the Management Analysis Division of the Civil Service Commission on studies associated with correspondence, which provided valuable information.

3 The questionnaire provided basic information on correspondence volumes and practices, and identified those areas where further investigation could be employed most profitably. For many reasons, the statistics obtained understated the actual volume of correspondence. To arrive at a reasonable estimate of the maximum volume of letters produced, the number of typists and stenographers reported by fourteen departments was compared with the total numbers reported in the official Estimates; the factor obtained was applied to the correspondence volumes provided by these fourteen departments. Therefore, the actual correspondence produced annually by the government lies between the low and the high shown in Table 1.

4 Recent cost studies by the United States Government and in large private corpora-

Table 1—SUMMARY OF CANADIAN GOVERNMENT CORRESPONDENCE VOLUMES

	<i>Dictated to Stenog- rapher</i>	<i>Dictated to Machine</i>	<i>Hand Drafted</i>	<i>Form Letters</i>	<i>Guide Letters</i>	<i>Total</i>
DEPARTMENTS						
Volume reported in						
Questionnaire.....	5,746,908	1,731,318	5,144,756	11,539,416	1,724,776	25,887,174
CROWN CORPORATIONS						
AND OTHER AGENCIES						
Volume reported in						
Questionnaire.....	597,108	215,208	343,800	1,142,664	201,756	2,500,536
CALCULATED VOLUME.....	8,084,086	2,356,736	11,787,563	15,855,388	3,957,218	42,040,991
TOTAL VOLUMES.....	14,428,102	4,303,262	17,276,119	28,537,468	5,883,750	70,428,701
PERCENTAGE TO						
TOTAL VOLUME.....	21%	6%	24.5%	40.5%	8%	100%

tions have established the following averages:

- Length of a letter—175 words.
- Cost of a form letter—15 cents.
- Cost of a guide letter—25 cents.
- Cost of a machine-dictated letter—\$1.50.
- Cost of a stenographer-dictated letter—\$1.75.
- Cost of a hand-drafted letter—over \$1.75.

These averages were used to calculate the cost of correspondence in the Canadian Government. They are conservative, since they include only the dictator's and stenographer's time; they do not include the costs of related mailing and filing procedures.

5 While it is impossible to assess accurately the total cost of government correspondence, an estimate may be made by applying to the volumes produced an average cost for each type of letter. Upon this basis, the fifty million letters produced annually would cost approximately \$50 million. It will be appreciated that cost depends on the mix of various types; more form letters at 15¢ and fewer hand-drafted letters at \$1.75 each can make a significant difference in the total cost.

QUALITY

6 Quality of correspondence varies considerably from department to department and from branch to branch, and reflects the apparent attitude of officials towards the subject. The Department of Public Works has issued a booklet which states the principles of good, concise, and clear writing, and its impact is apparent in the Department's correspondence.

7 The following sample of officialese from the Department of National Defence is typical of many letters scrutinized during the course of this inquiry:

With reference to your review of subject documents made during the week Nov. 6–Nov. 10, and your suggestions made in conversation with LC/P Admin. during this review, that you consider it probable that some of the documents could be held at AMCHQ library, in lieu of their present location. Please advise if a decision has been made in this regard.

This memorandum could read:

May I be informed whether or not a decision has been reached on storing the subject documents in the AMCHQ library?

or:

Have you decided whether we can store our documents in the AMCHQ library?

8 Probably five million such letters are circulating each year, both within the government and to the public. The consequences of this volume of unintelligible correspondence are impossible to measure, but it is obvious that thousands of telephone calls, further letters of explanation, and improper decisions must result. Moreover, such letters must create in the mind of the general public an impression that government officials are pompous, long-winded, and officious.

FORM AND GUIDE LETTERS

9 The most widely known correspondence cost-saving device is the form letter. The guide or pattern paragraph letter is not as well known, but is probably used unconsciously by most letter writers.

10 A form letter is reproduced and stocked in advance of its actual use; it may require only the insertion of an address or limited fill-ins, and it may be either pre-signed or require signature on release. It should be numbered to facilitate selection and designed to take full advantage of window envelopes and automatic folding. A guide letter may be drafted but not produced in advance of actual use, or it may be composed of standard paragraphs drafted in advance and filed for use by a typist.

11 The principal advantages of form and guide letters are:

- They need be composed only once.
- They eliminate dictation time.
- They eliminate or minimize transcribing time.
- There is no need for file copies of form letters because the original letter is noted or stamped.
- Review time is reduced or eliminated.

12 The use of form and guide letters in major departments ranges from ten per cent

to seventy-five per cent of total correspondence. Wide variations exist even where the functions performed are similar, as illustrated in Table 2. Similarly, in purchasing functions, usage ranges from ten per cent to sixty-five per cent. Some departments believe that much of their work is too complex and varied to permit use of form or guide letters. The following illustrations show that such cases are not so common as is often supposed.

13 In the Immigration Branch, Department of Citizenship and Immigration, letters produced by the typing pool during the course of one afternoon were analyzed. Of 208 letters typed, 59 were identified as routine and repetitious and readily adaptable to form or guide letter methods. In this Branch the work is considered to be complex.

14 One particular file sampled in the Department of National Defence indicated that some 600 letters written annually (individually dictated and typed) covered a single routine subject. The majority of this correspondence could be handled by three or four standard form letters, eliminating all dictation and most of the typing.

15 Some examples of current form letters are shown in Exhibits 1, 2, and 3.

16 Over half of all government letters are individually prepared. If even five per cent of these individually prepared letters were converted to pre-printed and stocked form letters, the resultant savings would amount to well over one million dollars annually. The conversion of an additional five per cent of individually prepared letters to pre-approved and established guide letters would result in a further one million dollar annual saving.

HAND-DRAFTED LETTERS

17 About one-quarter of all government correspondence is hand-drafted, generally the

Table 2—COMPARISON OF FORM AND GUIDE LETTER USAGE AMONG PERSONNEL DIVISIONS OF VARIOUS DEPARTMENTS AND AGENCIES

(Note: The correspondence subjects in the Personnel Divisions may be assumed to be similar.)

<i>Agency</i>	<i>Correspondence Annual Volume</i>	<i>% Form Letters</i>	<i>% Guide Letters</i>
ANNUAL VOLUMES OVER 12,000			
Atomic Energy.....	13,200	23	<i>Low</i> 0
Canadian Broadcasting Corporation—Toronto	15,600	42	17
External Affairs.....	12,960	20	10
National Defence—Navy.....	60,000	<i>Low</i> 5	25
— Army.....	98,400	9	10
— Air Force.....	12,720	5	10
National Health and Welfare.....	89,520	<i>High</i> 50	<i>Low</i> 0
National Research Council.....	40,800	35	<i>High</i> 33
Northern Affairs.....	21,600	38	12
Transport.....	20,400	12	5
ANNUAL VOLUMES UNDER 12,000			
Air Transport Board.....	1,440	<i>Low</i> 2	<i>Low</i> 0
Canadian Broadcasting Corporation—Montreal	10,200	10	24
Defence Construction Ltd.....	4,320	6	5
Finance.....	1,920	3	2
Fisheries.....	11,400	30	15
Labour.....	4,440	21	22
Mines and Technical Surveys.....	9,480	25	8
Public Works.....	8,400	17	3
Trade and Commerce.....	4,200	<i>High</i> 30	5
Veterans Affairs.....	6,600	22	<i>High</i> 39

most inefficient and expensive method of producing correspondence. The most common reasons given for hand-drafting were:

- Subject matter is normally too technical to dictate to a stenographer or to be transcribed from a machine.
- Hand-drafting allows more care to be given to composing.
- Dictating equipment or stenographic service is not readily available.

18 A less common reason given was that officials were not familiar with dictating

equipment and good dictating practices. In the Department of National Defence, it was frankly stated that officers had received little training in dictating techniques and had become accustomed to hand-drafting from earlier years spent in small offices.

19 A review of typical examples revealed that probably eighty per cent of the hand-drafted correspondence could easily be dictated to machines, with possible savings of the order of one million dollars by making more extensive use of both dictating machines and stenographers.



DEPARTMENT OF VETERANS AFFAIRS

In all correspondence,
please state full
name and service number.

Dear

Your application/circumstances has/have been
considered by the War Veterans Allowance District
Authority and

Documents enclosed:

APPEAL

You have the right to appeal against the
above decision to the War Veterans Allowance Board
in Ottawa.

Should you desire to do so, please call at
the District Office of the Department of Veterans
Affairs, at the above address, or write, stating
your reason for disagreeing with the decision.

Instead of entering your Appeal directly or
personally to the District Authority you may, if
you prefer, enter such Appeal through the local
Branch of the Canadian Legion or any other
veterans organizations having service facilities,
who, in turn, will present your Appeal to the
District Authority on your behalf for considera-
tion by the War Veterans Allowance Board.

Any Appeal must be made within sixty days of
receipt of this letter.

Yours truly,

Encls.

WVA-91 (Rev. 7 60)

- *Poor introduction:* non-applicable words must be crossed-out, resulting in an unsightly letter. This problem could have been avoided by better wording: e.g. "The War Veterans Allowance District Authority has considered your case".
- *Unattractive design:* the completed letter will often have a scattered appearance due to blank spaces.
- Address location should be indicated, and folds marked for use of window envelopes.

POST OFFICE DEPARTMENT
ADMINISTRATION BRANCH



CANADA

MINISTÈRE DES POSTES
DIRECTION DE L'ADMINISTRATION

Your File
V/réf.

Our File
N/réf.

Ottawa, Ont.,

Dear

Evidence has been received indicating that you have used the mails for the posting of matter relating to a sport pool operating in England.

The use of the Canadian mails in any way in connection with the above undertaking is prohibited and postal law and regulations provide for the withdrawal of Canadian mailing facilities from any person or firm observed to be using the mails for this purpose.

It is deemed advisable to bring the foregoing to your attention because if further evidence is received indicating that you are continuing to use the mails in connection with the above undertaking, there will be no option but to withdraw mailing facilities from you.

Yours very truly

Director of Administration

POST OFFICE DEPARTMENT
ADMINISTRATION BRANCH



MINISTÈRE DES POSTES
DIRECTION DE L'ADMINISTRATION

Your File
V/réf.

Our File
N/réf

Ottawa, Ont.,

Dear

Evidence has been received indicating that you are using the mails for lottery purposes.

Lotteries are illegal in Canada, and Postal Law and Regulations provide for the withdrawal of mailing facilities from any person or firm observed to be using the Canadian mails in any way for lottery purposes, or whose name and address is being used for the receipt of lottery matter.

It is deemed advisable to bring the foregoing to your attention because if further evidence is received indicating that you are continuing to use the mails for lottery purposes, there will be no option but to withdraw mailing facilities from you.

Yours very truly

These letters illustrate unnecessary variety of Form Letters. Both cover essentially the same subject, and could be combined.

Also: — unnecessary verbosity
— no identification numbers

POST OFFICE DEPARTMENT
ADMINISTRATION BRANCH



CANADA

MINISTÈRE DES POSTES
DIRECTION DE L'ADMINISTRATION

Your File
V/réf.

Our File
N/réf. 13-UMO-315

OTTAWA 1, Ontario

The Postmaster

Attention is directed to the following error(s) in your return of special matter as checked below:-

1. () Label 1 D.L. (g) not used for making return.
2. () Postmaster's or clerk's initials not indicated in space provided for on label.
3. () Office date-stamp omitted from label.
4. () Account number not indicated on label.
5. () Registration not given when contents warrant it, i.e. cash, liquor.
6. () Registered letter bill not enclosed in registered return.
7. () Covering memorandum not enclosed with suspected lottery mail.
8. () Contents of return incorrectly counted and indicated on label.
9. () Contents damaged due to poor packing.
10. () Unauthorized endorsement on cover of mail.

Director of Administration

F.L. (1) U.M.O.

— an efficient design:

— requires minimum of fill-in, and could be entirely completed by hand.

— readily identifiable by Form Letter Number.

EQUIPMENT

20 The advantages to be gained from the utilization of modern correspondence equipment in field offices have not been given sufficient consideration in many departments. Surveys conducted by the Management Analysis Division of the Civil Service Commission have confirmed that departments generally have a high correspondence cost which can be attributed to insufficient use of the right equipment. The proper application of automatic and manual typewriters, dictating equipment and copying equipment is extremely important in achieving economical production of correspondence.

21 The main advantages of automatic typewriters are that they produce approximately one hundred words a minute and eliminate the need for a full-time operator. Of fifty-nine departments and agencies completing the questionnaire, only five reported use of some type of automatic typewriter. The Civil Service Commission found that a large proportion of correspondence in its Advertising and Examination Section could be handled through the extensive use of standard paragraphs and standard letters, and automatic equipment was accordingly purchased. Possible applications for automatic equipment were noted in the Departments of Agriculture and National Revenue, where sufficient repetitive letters and paragraphs exist to justify a feasibility study.

22 Departments have not been encouraged to acquire dictating equipment and, where dictating equipment is available, there appears to be a reluctance to use it. Of the fifty-nine departments and agencies that replied to the correspondence questionnaire, five used no dictating equipment and six used only one machine. The following list shows the wide variation in the use of dictating machines by major departments:

Post Office	— 403 machines
Veterans Affairs	— 22 “

Customs & Excise	— 33 “
National Defence	— 120 “
Citizenship & Immigration	— 146 “

The questionnaire revealed that in both the Post Office and the Department of Citizenship and Immigration a far greater proportion of correspondence was dictated to machine than in any other department.

23 Most of the departments surveyed have copying equipment and make good use of it. However, the lack of copying machines in stenographic pools encourages the practice of typing copies rather than using the low-priced copying equipment now on the market.

STENOGRAPHIC AND TRANSCRIBING POOLS

24 Although many stenographic and transcribing pools exist, there is wide variation in quality of service and production performance. Investigations revealed a pervasive reluctance to use stenographic and typing pools, stemming from a variety of considerations such as:

- The material is technical and requires a typist who is familiar with the subject.
- Service from pools is poor, priorities are not set, and the user must often reschedule his work.
- The quality of work produced by pools is generally poor.
- A personal secretary or stenographer is a status symbol.
- A personal secretary or stenographer, when familiar with the work, composes letters with the minimum of direction.

These considerations are valid only where poor dictating practices are followed, pools are poorly administered, inadequate production standards are set, or insufficient training is given.

25 The Post Office operates a good central departmental pool which transcribes seventy-five to eighty per cent of the headquarters correspondence. The quality of work and service is good, and the basic standard of production of 825 lines a day is met by the lowest grade typist. In contrast, a survey of the transcribing and typing services in the Department of Defence Production, made in July, 1961, by the Management Analysis Division of the Civil Service Commission, revealed that:

- The average production for pooled staff is 461 lines a day, and the average production for non-pooled staff is only 245 lines a day.
- The 22 dictating machines in the Department are being used on an average of five minutes a day.
- 12,000 lines a day are typed from long-hand draft.

INSTRUCTIONS

26 Twenty-four separate government publications contain instructions on the form, style, method of address and closing, dating, layout, hints on difficult words, punctuation and grammatical styles. Most of these manuals were written for stenographers and typists; few instructions have been developed for the person who has to compose the letter. The two centrally-produced manuals, the Canadian Government Style Guide and the Civil Service Office Manual, are designed primarily for such specialist groups as transcribers of government letters and reports,

and the writers and editors of reports, bulletins, circulars and other publications issued by government departments.

27 Helpful as the present guides may be, they are not sufficiently comprehensive to foster either the best letter-writing practices, or the use of the most economical production techniques. A further difficulty is the re-training of transferred employees made necessary by the differing standards expressed in the multiplicity of guides and manuals. There is no need to duplicate information that is readily available in recognized texts and in the two central government publications. However, more guidance is required in planning and dictating a letter and in the use of dictating equipment, form and guide letters, and automatic typewriters.

CONCLUSION

28 Few people appreciate either the volume and cost of correspondence, or the potential benefits to both the government and the public of an improvement in this function. The public, as a recipient of government letters, can benefit from improved quality of correspondence—the government, from improved communication and possible cost savings of about \$5 million annually. There is no doubt that any attention paid to correspondence practices will bring beneficial results. Your Commissioners' questionnaire on this subject brought hitherto unknown facts to the notice of departments, and stimulated improvements. However, only a planned attack upon expensive and inefficient practices can realize fully the potential improvements and savings.

2

FORMS

1 Forms are an essential medium in business and government for recording, analyzing, transmitting and storing information. Forms management is concerned with the birth, use and disposal of forms as a vital part of the campaign to get maximum value from the clerical dollar; it is much more than forms design, or control of purchasing and printing new forms.

2 The Commission's study of forms in the Canadian public service was carried out by examining forms control programmes in seventeen departments and agencies, as well as the work of the Treasury Board, Canadian Government Specifications Board, and the Department of Public Printing and Stationery. At an early stage, it became evident that "forms management" and "forms control" did not mean the same thing to all departments. Therefore, the following definitions were adopted:

- Forms Control is concerned with the identification, authorization, design, storage and issue of forms.
- Forms Design is a part of Forms Control

concerned with the physical characteristics of the form, its appearance, and the preparation of specifications for the printer.

- Forms Management is the planned use of control techniques in a systematic review of forms and procedures.

3 At least \$5,500,000 was spent in 1961-62 on the printing of government forms—the letterheads, envelopes, punched cards, one-part flat forms, multiple copy sets, continuous carbon interleaved forms, cheques, etc.—which record, acknowledge, manipulate, transmit and store data. Since few inventories of forms exist, no accurate information is available on their number; however, it is estimated that there are over 100,000 in use in the government service.

4 The forms control units examined during the course of this survey have more than 21,000 different forms under their review; estimates by forms control officers of the number of other forms, not subject to their constant review, range from 100 in Customs and Excise to 40,000 in the Department of National Defence.

5 What is not readily appreciated by all departments is that the cost of printing forms is small compared to the cost of performing the related procedures. A brief submitted by the Institute of Continuous Forms Manufacturers, representing three-quarters of the country's specialty forms producers, estimates that the cost of processing forms is as much as ten to fifty times greater than the cost of printing them. The control procedures of departments and agencies are mainly confined to design and procurement of forms, and to stock control. Analysis of procedures is generally overlooked; forms, once printed, are not regularly re-assessed when a supply is ebbing and reprints are requested.

CENTRAL CONTROL

6 The central control of forms is divided among several agencies: the Treasury Board, the Canadian Government Specifications Board, and the Department of Public Printing and Stationery.

7 The involvement of Treasury Board with forms derives from the Financial Administration Act:

- 7 The Treasury Board may make regulations
(a) respecting the collection, management and administration of, and accounting for, public moneys. . . .

Recognizing the importance of forms management in terms of this general authority, Treasury Board issued Directive 536430 on September 24, 1958, which provided, in effect, that:

- Forms Control Programmes were to be started in all departments.
- Forms Control Officers were to be designated in all departments.
- Reports were to be submitted, describing in detail present or proposed programmes.

The eventual goal of this directive was a continuing programme for the orderly, scheduled review of all forms and related procedures.

The directive urged departments to use the Organization and Methods group of the Civil Service Commission for procedures studies.

8 As a first step, the Treasury Board's action was unexceptionable. However, an analysis of forty reports to the Treasury Board on this subject shows that, of the twenty-one largest departments which established some kind of centralized control over printing requisitions, only nine placed control in or close to their procedures analysis function. A review of the departments' responses over the last three years to the Treasury Board's initiative leads to the conclusion that the real value of forms control has not been grasped and that the Board's intentions have not been fully implemented.

9 The Treasury Board today examines initial requests for specialty forms, such as continuous or multiple copy carbon interleaved forms, weighing necessity against cost. The deterrent value of this review is high, and well-documented, well-reasoned cases are receiving favourable treatment. But often, in making requests, departments fail to set forth the carefully developed ideas that give rise to them.

10 The Treasury Board conducts a periodic review of each department's specialty forms. However, judging from one typical review at which members of your Commissioners' staff were present, it is futile to attempt to examine forms when removed from the context of related procedures. In this particular case, departmental representatives were able to discuss stock controls, purchasing, and the most obvious inadequacies in design; they were less competent when it came to explaining the purpose, and the method of processing or disposing of the form.

11 The Research Council Act empowers the National Research Council:

- 13 (c) to undertake in such way as may be deemed advisable

- (v) . . . the determination of the standards of quality of . . . supplies used in the various branches of the Government service.

The Council exercises this authority through the Canadian Government Specifications Board which is accordingly concerned with the establishment of standards for forms. The Board consists of twenty-five permanent heads of departments and agencies; the President of the National Research Council is chairman; and the Council provides the co-ordinating staff, and also provides clerical staff for a large number of sub-committees.

12 The Forms Committee is but one of seventy-two committees of the Specifications Board. With four sub-committees, it deals with envelopes, letterheads and related papers, common usage forms and interdepartmental forms. While these committees appear to operate in a businesslike way, cumbersome procedures limit their effectiveness. A typical proposal by a member goes through the following steps:

- Proposal by member placed before the sub-committee.
- Sub-committee appoints a panel to examine a proposal.
- Panel submits recommendations to sub-committee.
- Agreement of sub-committee results in proposal being sent to main committee for discussion.
- Main committee votes on a ballot form sent out by the secretary.
- Results of ballot sent to the Canadian Government Specifications Board (deputy minister or delegate level).
- The Board votes by ballot.
- If few negatives are received, the secretary to the Board may try to influence change.
- If adopted, results of the vote are sent to

the Treasury Board with samples of the forms.

- The Treasury Board sends a directive to all departments requiring that they adopt the approved standard.

13 While standards for corn brooms, asphalt emulsions and sewer pipe joint compounds, for example, are established by tests and by agreement of a relatively small number of government personnel, the establishment of a standard form requires the examination of procedures in all departments. Since procedures analysis groups do not exist in every department, an immense job of liaison and fact-gathering is necessary.

14 Unlike many other Specifications Board committees, the Forms Committee has no analysts to conduct its studies; investigatory work is done by members who volunteer to serve on panels and who therefore limit studies to simple forms, such as tags, letterheads and airmail papers, which require a minimum of investigation.

15 In June, 1954, Treasury Board Directive No. 1954-15 stipulated that new or revised forms, with specifications, must be referred to the Department of Public Printing and Stationery for review and advice on physical characteristics and economical production. Since that time, the Office of the Business Forms Co-ordinator in that Department has become an authority on design and specifications for two reasons: first, because the Treasury Board's directive supports its position; and second, because its work and advice are capable and respected. The Co-ordinator has established a functional index, covering at present 2,000 to 3,000 departmental specialty forms, and has helped several departments to install similar indexes. The Co-ordinator develops and writes over 1,200 printing specifications annually and reviews more than 6,700 requisitions for more than \$1,500,000 worth of printing.

16 The foregoing developments demonstrate that, in the past several years, there has been a serious attempt to improve government forms. Inferior designs still exist due to a combination of the following circumstances:

- Insufficient training of departmental forms designers.
- Poor preparation of departmental specifications.
- Lead time provided by the departments is insufficient for a thorough examination by the Business Forms Co-ordinator.
- Inability of the Business Forms Co-ordinator's office to devote enough time to a review of all forms.

The solution is, primarily, more training for departmental forms designers.

17 While the terms of reference of the Business Forms Co-ordinator imply that he is to be concerned solely with design and printing, in practice his office actively encourages effective procedures' studies prior to the design request stage. In September, 1961, the Co-ordinator proposed the development of courses on forms management to be conducted early in 1962. The proposal was approved in principle by the Queen's Printer and the Civil Service Commission.

DEPARTMENTAL CONTROL

18 In many departments, such as Public Works, the forms control unit has no jurisdiction over forms prepared outside headquarters, but it is in the districts that most of the forms are used. In such cases, the forms control officer may only be able to examine as few as fifteen per cent of the department's forms. Only in the Dominion Bureau of Statistics, the National Film Board, and the Department of Public Printing and Stationery, do the forms officers believe they have

brought all the forms of their respective departments into their programmes.

19 In response to the Treasury Board directive of 1958, the title "Forms Control Officer" was liberally conferred, frequently on persons who were not fitted for the task. Clearly, the intention of the Treasury Board was not simply to award a new title to stationery stock controllers, nor was the title intended to apply to a forms designer who translates a crude sketch into a neat layout on the assumption that an analyst has already established the need for the form. The careless and inconsistent use of the title Forms Control Officer perpetuates a misconception of the true nature of forms control.

20 The typical approach of departmental forms control officers is too often a hurried attempt to ascertain that the sponsor of a form has no changes in mind before a request for reprint is approved. No department schedules a review of all forms and procedures and, since most forms are re-ordered two to four times a year, the re-order routine recurs hundreds of times only to prove that few, if any, changes need be made. When an important change is required, the forms control officer may race the clock to push a new design through the normal approval and purchasing procedure before the shelf supply disappears.

21 Many methods of identifying forms are in use. The Department of Agriculture prefixes a number to show the branch or division where the forms are most commonly used. Customs and Excise uses a prefix to relate members of a class of forms for cataloguing purposes. The Dominion Bureau of Statistics relates the form directly to a cost centre. The Unemployment Insurance Commission provides letter suffixes so that a new form can be properly positioned in the catalogue. A functional file groups all the forms of a department according to use or subject matter; for example, all forms related to an ordering

procedure are together, as are the forms used to schedule or to estimate work. Thus, when an analyst begins a forms study, the functional file is one of his most valuable sources of information. Also, when a new form is requested, a quick review of the functional file indicates whether a suitable form may already exist. The Departments of Transport and Public Works, the Indian Affairs Branch, the Immigration Branch, and the Customs and Excise Division, are all building functional files, and all departments will benefit from the use of such records as an aid to procedures analysis.

22 Some departments and agencies recognize that a form, like a work order, compels action, and that unofficial, unnumbered, uncontrolled or "bootleg" forms may represent unidentified procedures. In Customs and Excise, for example, fewer than ten per cent of the forms are unauthorized, whereas in National Health and Welfare, with no forms management programme, only ten per cent of forms are registered with the forms control officer. The form number, like an approval signature on a work order, should be the sign of official authorization of the form and its procedure.

23 There is no government-wide record of the costs of forms. Neither the Treasury Board nor the Department of Public Printing and Stationery know the annual cost of forms, which is regarded in most departments as an incidental expense included in the accounts under "stationery, publications, rental of equipment, etc." However, some have made a record of costs of purchase requisitions so that the forms cost can be isolated. For example, both the Department of Veterans Affairs and the Taxation Division of the Department of National Revenue obtain prices on each requisition, including those from the local Queen's Printer units, and in recent years more accurate estimates of forms expense have been developed. In contrast, many departments, keeping no rec-

ords of forms costs, can only guess the total expense from year to year.

24 Inventory controls may be completely lacking or extend all the way to systems appropriate to stocks of gold leaf. The experience of Customs and Excise with its stock control records will serve to illustrate the need for varying controls to correspond with the special character of the forms. Prior to April, 1961, the Department subjected all its forms to the same detailed inventory control: flat forms produced by a Queen's Printer unit in an adjoining office at \$2 per thousand were as rigorously controlled as continuous forms costing \$50 per thousand and requiring sixteen weeks' delivery time. Now, flat forms are controlled by a stockpicker, and only specialty forms are recorded in detail.

25 The re-order procedures of the Department of Citizenship and Immigration, which are typical, utilize visible-edge card records of forms and stationery items, detailing turnover, re-orders and deliveries. Whenever the re-order point is reached, a reprint control form, C&I-58, is typed in duplicate and sent with two copies of the required form to the forms unit of the Immigration Branch. Between 1,500 and 2,000 requests a year are prepared in this department, but only 139 revisions were made in 1960. Therefore, at least ninety per cent of the requests to reprint are examined with no resulting changes. In Veterans Affairs, the ratio was 100 revisions out of 4,000 reprints; in Customs and Excise, 165 out of 600; but in Agriculture, 575 out of 625. A replenishment procedure which utilizes a "travelling requisition", bypassing the forms control unit for routine replenishment of stock, would reduce costs and concentrate attention on needed changes.

26 The re-order quantities of flat forms vary from three months' supply in Veterans Affairs to twelve months' in External Affairs and Trade and Commerce. For specialty forms, the periods vary from six months in Public

Works to twenty-four months in Agriculture. In the Taxation Division of National Revenue, the forms control unit has eliminated headquarters stockpiling by directing the printer to ship to each field office. The Taxation Division's procurement procedure is also worthy of mention; taking into account seasonal fluctuations in the consumption rate, the forms control officer draws up a timetable showing an annual re-order date for every form; prior to the re-order date, the schedule is sent to the field offices to confirm their continued need. The procurement procedure is automatic, simple and routine, and does away with the preparation of requisitions on an "as required" basis.

CONCLUSION

27 The benefits to be derived from the proper management of forms cannot be achieved by a random attack on paperwork costs. The success of a forms programme should not be measured by its effect on the printing bill; the clerical costs of processing forms are the major source of potential savings. The management of forms, developed as part of a broad programme for improving paperwork techniques, can both reduce the cost of administration and improve the quality of service.

28 The proposed Administrative Improvement Division of the Treasury Board staff should encourage the development of forms management programmes in departments and agencies. The content of such a programme would include:

- The development of new techniques and equipment for coding, inventorying, storing, costing and disbursing forms; and training in the application of these techniques.
- Research in forms printing and design, and the maintenance of records on specialty forms.
- The integration of forms control programmes with other departmental management advisory services.
- The development of simplified methods of allocating the costs of forms produced and distributed.

29 With the Treasury Board supplying such guidance and co-ordinating interdepartmental efforts in this field, departments and agencies will be provided with the support and assistance they require. The result will be better forms and better procedures; less paper created, processed and stored; fewer clerical errors and less clerical work.

3

DIRECTIVES

1 Directives include internal instructions, procedures manuals, references to and interpretations of statutes and regulations, etc., distributed throughout an organization for the guidance of its staff. Administrative directives were studied in thirteen departments and one Crown corporation which, collectively, employed over half of the public servants. Specialized technical publications were excluded.

2 In evaluating the effectiveness of existing directives systems, answers to the following questions were sought:

- Are policies, procedures, instructions and regulations communicated simply and directly by the appropriate authority?
- Is the coverage comprehensive and grouped for easy reference?
- Can directives be easily and quickly kept up-to-date as revisions are issued?
- Is material distributed on a selective, "need to know" basis?
- Can users be sure that they have all current issues and revisions?

- Is there a revision programme to ensure that instructions are understood?
- Are there any established standards of quality, style, clarity and form; and are preparation and reproduction processes chosen with proper regard to economy and quality?
- Is the system flexible enough to accommodate changes and future expansion?

3 None of the departments surveyed assigns to a single officer or group complete responsibility for the central control and co-ordination of directives. However, some centralize the responsibility for the preparation of final copy, or the assignment of code numbers and co-ordination of printing, and others assign total responsibility for parts of the directives system. Departments, generally, have relied upon branches and divisions to create and distribute directives according to their individual needs. For example, the Department of National Defence has five different directives systems—one for each of the three Services, the Defence Research Board and Civilian Personnel Administration. These total over forty

series of directives contained in more than thirty volumes. Common policy matters are co-ordinated by a tri-service Policy Co-ordinating Committee for publication in Queen's Regulations. There are, however, three sets of Queen's Regulations requiring three separate operations for preparation, printing and distribution. Army, Navy and Air Force Orders, the major administrative publications, totalling six large volumes, expand and duplicate much of the content of Queen's Regulations. In the Army, administrative communication at the corps level is provided by twelve series of Corps Manuals, which duplicate or further explain material contained in both Queen's Regulations and Canadian Army Orders.

4 The appearance in directives of apparently conflicting material tends to cause disintegration of the system. The Defence Research Board instituted a system of administrative manuals but, due to lack of maintenance, division heads issue separate instructions by memoranda superseding much of the content of the manuals. Thus, many parts of the manuals are obsolete and it is necessary to refer to several places to be sure of having the correct information. The administrative manuals are consequently falling into disuse, so time and money spent on creation are wasted.

5 The following example of duplication within one system was identified in a survey conducted by the Management Analysis Division of the Civil Service Commission. On the subject of "Absence Without Leave" in the Canadian Army, the following references are to be found:

- Queen's Regulations—eleven separate instructions in five different sections.
- Canadian Army Orders—two separate orders in two sections.
- Canadian Army Manual of Ordnance Services, Vol. 7—seven references in one section.

- Manual of Records—seven references in two sections.
- National Defence Act—three separate references.

The conclusion must be either that considerable duplication exists, or that some thirty references are required to get the full story on "Absence Without Leave".

6 An example of hidden cost of administration is the continued interpretation, explanation and rewriting of policies and regulations published in officialese. A brief to this Commission from the Civil Service Association of Canada clearly states the situation:

... once a policy is issued it is interpreted in the various departmental personnel manuals and, in many cases, in departmental publications. One result is that various interpretations exist, which result in differing practices that may not be consistent with the intent of the original policy. Further problems arise from the fact that both the original measure and the subsequent interpretation are often issued in terminology which does not contribute to clarity.

The eventual result is that many first-level supervisors have a restricted knowledge of pertinent policies and procedures, and their only recourse is to go back up the line in an endeavour to ascertain how they should act or advise those under their direction.

Because this lack of information has been so apparent to us we found it necessary to develop a manual for our officers and members containing a digest of the many measures affecting employees, and it has subsequently been in wide use at all levels. While we are, of course, always pleased as an Association to offer such services, we do feel this should be primarily a management responsibility and undertaking.

In addition, current personnel policies and procedures should be drawn together in one manual, worded to meet all reader levels, and issued to those with supervisory responsibility. It is also desirable, we feel, that employees should have ready access to such material at all times on request. In many cases, this is not the present practice.

7 Cost figures of sample directives shown in Table 3 include only the mechanical and

Table 3—SAMPLE COSTS OF TYPICAL DIRECTIVES SERIES
(Material and Printing Costs Only)

	<i>Number of Types or Series of Directive</i>	<i>Total Copies Dis- tributed</i>	<i>Total Cost to Develop</i>	<i>Average Cost of a Manual or set of Instruc- tions</i>	<i>Annual Main- tenance Cost</i>	<i>Annual Main- tenance Cost as a Percentage of Develop- ment Cost</i>
1. Agriculture (Personnel Manual only).....	1	745	\$ 1,199	\$ 1.61	\$ 369	31%
2. Canadian Broadcasting Corporation.....	10	5,183	39,277	7.58	3,907	10%
3. National Defence (Canadian Army Orders only).....	1	2,900	57,452	19.81	23,106	40%
4. Post Office.....	21	111,009	184,215	1.66	67,593	37%
5. Public Works (Admin. and Tech. Directives only).....	1	330	3,777	11.45	497	13%
6. Unemployment Insurance Commission.....	10	24,600	151,805	6.17	*84,534	56%
					<u>\$180,006</u>	

*The high proportion of turnover of directives, indicated by the high cost of annual maintenance, suggests that more economical methods of printing are necessary.

material elements, such as binders, paper, printing and collating. They do not include the time spent by employees in studying and writing the subject matter, although these indirect costs generally exceed the mechanical costs of production. For example, the Canadian Broadcasting Corporation has estimated that the man-years involved in compiling the data for inclusion in two of their ten directive systems cost approximately \$47,250, or \$10,000 more than the cost of the mechanical production of all ten systems. The costs shown for each department include different factors because some departments could not provide reliable estimates for costs of distribution, stitching, collating, etc. However, these figures illustrate the magnitude of the development and annual maintenance cost of these activities.

8 The quality of reproduction depends entirely upon the process selected; the most commonly used are:

- Vartyper preparation—photographed to offset plates for reproduction.
- Justewriter (automatic typewriter) preparation, photographed to offset plates.
- Manual or electric typewriter preparation, directly on offset plates.
- Typesetting by a printer from typed copy, reproduced by either letterpress or photographed to offset plates for offset reproduction.

9 Advantages of the Vartyper, Justewriter and typesetting processes mentioned above are uniformity of print and justification of

margins (straight right-hand margins). The Vartypewriter and typesetting methods also allow for variation in print size and type. The type-writer preparation process is by far the most economical method and is used very effectively by the R.C.A.F. in many publications.

10 It is often difficult to distinguish between Vartypewriter and typeset work, and typesetting is generally more expensive for quantities required for directives. The Department of National Defence employs the typesetting process widely in their directives system, notably: the Queen's Regulations, Canadian Army Orders, Air Force Routine Orders and numerous other training manuals and publications. Many other departments use Vartyping or typesetting for their manuals; since most of these manuals are distributed internally, this standard of quality is questionable.

11 Where the choice of binders is left to the discretion of branches or divisions, a variety of types, sizes and colours are to be found, even within a single department. Almost every conceivable type and size of binder is in use

in the government. The lack of a general standard for binders and paper sizes requires the Queen's Printer to supply a wide range, procure small quantities and to cut paper sizes to order. Table 4 illustrates the wide cost range of binders.

12 Indexing, consolidation and subject grouping have not generally been given sufficient attention. Consequently, it is often difficult to find appropriate references. At least six of the departments surveyed utilized the branch circular system, either exclusively or as part of their directives systems. These circulars are authoritative, often modifying or superseding other directives, such as manuals. The indexing system used for branch circulars is chronological, each circular numbered in sequence of issue, regardless of subject. Originating branch symbols indicate the general function involved.

13 This system results in the creation of annual files of circulars in no logical grouping for reference purposes. Often references to the same subject or regulation are to be found

Table 4—SAMPLE COSTS OF TYPICAL BINDERS

<i>Department or Agency</i>	<i>Type of Binder</i>	<i>Size</i>	<i>Cost</i>
Agriculture.....	3 ring—flexible, vinyl.....	8½ x 11	\$.75
Canadian Broadcasting Corporation			
(a) Management Manual.....	3 post expandable—fabricoid.....	8½ x 11	\$5.60
(b) Office Standards Manual.....	3 ring—hard cover—plastic.....	8½ x 11	\$4.01
Post Office—All Manuals.....	22 ring—flexible.....	8½ x 11	\$.88
Public Works.....	Acco-press.....	8½ x 14	\$.60
Unemployment Insurance Commission			
(a) Old Style.....	4 post—hard cover.....	6½ x 9¾	\$2.35
(b) New Style.....	4 hole split prong—hard cover.....	6½ x 9¾	\$4.25
National Defence			
(a) Canadian Army Orders.....	4 post—latchlock—hard cover.....	7¼ x 10½	\$2.50
(b) General Orders (Navy).....	4 post—latchlock—hard cover.....	7¼ x 10½	
Defence Research Board.....	16 ring—hard cover.....	7¼ x 10	\$3.50

in ten or twelve different places throughout as many as five years' accumulation of circulars.

14 With the exception of the Canadian Broadcasting Corporation, the review of systems is generally neglected. Management audit techniques can determine whether directives are accepted and followed, whether implementation problems exist and systems improvement is feasible or necessary, and whether sets of directives are properly maintained. Directives writers are often remote from field operations and fail to appreciate local problems. Even when feed-back from the field is encouraged, individuals will not always report difficulties for fear of being thought incompetent.

15 Most departments surveyed practise the "need to know" basis of determining distribution lists. However, directives are generally over-distributed because the practice of placing sets of directives in strategic positions for reference purposes is largely ignored. Almost invariably, individuals are given copies to

maintain even if they are in adjacent offices. No cases were observed where directives are circulated within locations, signed as having been read and understood, and placed in a common reference binder for future use.

16 An efficient, simple directives system will reduce the cost of the development, reproduction and distribution of directives. For example, it should no longer be necessary to develop and maintain some thirty different personnel manuals currently in existence. A common manual, properly developed, should suffice, with provision for the insertion of departmental instructions as supplements. Standardization of production will permit the Department of Public Printing and Stationery to buy and stock materials in larger quantities of fewer types, and use more economical printing processes.

17 Clear and concise directives, issued within a common framework, simplify administration and beneficially affect morale, costs and efficiency.

4

MAIL

1 The management of mail involves:

- Receiving, sorting, opening, routing, controlling and distributing incoming mail.
- Collecting, preparing and despatching outgoing mail.

2 The circumstances that govern the handling of mail vary materially. Volume is the principal consideration, but the degree of centralization of mail handling facilities, the organization of the file rooms and the geographic dispersion of the organization served are also important. These considerations apply, not only in Ottawa, but throughout Canada, wherever groups of public servants work.

3 This study was limited to eleven major departments in Ottawa, but observations and conclusions are relevant to all mail-handling activities in the public service.

INCOMING MAIL

4 All departments studied arrange a mail pick-up from the central Post Office, either by their own trucks or by contract. Most de-

partments schedule the morning pick-up to ensure that some, if not all, mail is ready by opening time.

5 Mail is initially sorted into three major categories:

- Mail addressed to the minister or marked 'personal' is delivered unopened.
- Mail that requires classifying and indexing is delivered to the registries.
- Routine repetitive material that does not require preclassification is delivered directly to action desks.

6 Mail opening is not necessarily restricted to mail rooms. For example, in the Department of Agriculture, mail is opened in each of the eight independently operated registries, not in the three mail rooms; in Customs and Excise, mail is opened in all of the fourteen section registries, and by secretaries, clerks and even chiefs of divisions.

7 Electric openers are used in only eight of eighteen mail rooms examined, although an envelope opening machine is justifiable when

over five hundred or more letters a day are to be opened, and most registries or mail rooms exceed this volume.

8 Some average costs for mail opening and initial sorting are:

- Citizenship and Immigration
\$ 4.60 per thousand letters
- National Defence
\$ 7.20 per thousand letters
- National Health and Welfare
\$ 10.20 per thousand letters
- Veterans Affairs
\$ 5.70 per thousand letters

9 In all departments, costs can be reduced by consolidating the opening of mail in the mail room. Even the relatively low cost in the Department of Citizenship and Immigration can be further reduced by transferring the manual mail-opening activities of the Indian Affairs Branch to the departmental mail room.

10 There is an excessive amount of routine time-date-stamping of mail. For example, six of the eleven departments studied time-stamp all mail and another time-stamps over ninety per cent. Mail is sometimes serially numbered automatically by the stamping machine; however, some departments serially number mail by hand to maintain volume statistics and, in two departments, these numbers are transcribed to an index and then endorsed on file folders. If mail statistics are required, statistical sampling will provide cheap, satisfactory results.

11 Mail to be processed through registry to action points, or to be delivered direct, is sorted a second time after it has been opened, time-and date-stamped, and volume-numbered. The lack of routing information in most departments results in both errors and delays. While some departments have attempted to produce routing guides for distribution of

material direct from mail rooms to action offices, only the Department of National Defence guide is effective.

12 Mail rooms handle much personal mail that should be directed to a home address. In a few departments, such as National Defence, External Affairs, and Citizenship and Immigration, some use of the departmental address is required by officers moving within Canada and abroad. This privilege is sometimes abused, and adds to the volume of mail handled by mail staff, who should be processing only official mail. Statistics maintained in National Defence showed personal mail volume to be:

1958—7800 per month
1959—7200 per month
1960—7000 per month
1961—5000 per month

13 The Post Office Department reported that a departmental directive, stating that the practice of addressing personal mail to the Department was wasteful and would result in disciplinary action if continued, had reduced personal mail to a negligible volume.

14 Mail is summarized or briefed in some departments as an additional finding aid to supplement the main file classification system and index. Usually, mail is summarized if the subject is not clear, or if there is a danger of loss through the regular file classification plan. This procedure has been carried to excess in the Departments of External Affairs, National Revenue (Customs and Excise Division), Transport, and Public Works.

15 The Department of External Affairs, in particular, needs a completely new classification system for its subject files to eliminate both the “brief-record” substitute and most of the elaborate finding aids which now increase the time required for delivery to action offices. External Affairs records include:

- A daily briefing sheet.

- A 4" x 6" individual in-and-out letter card.
- Letter-serial identification books for all missions.
- Microfilming the 4" x 6" cards.

16 In the Departments of Transport and Public Works, briefing is on a selective basis in conjunction with a control of important mail, but could be eliminated without loss of control. In the Customs and Excise Division of the Department of National Revenue, eighty per cent of the mail classified for files is briefed, a procedure which could be eliminated without loss of control.

17 The total time required to deliver incoming mail to an action desk varies from a few minutes to nine working hours or more. Where incoming mail bears a file number, processing time can be less than one hour, but up to one full working day may be required to process mail that requires classifying or indexing. If mail is sent to a sub-registry, processing time is lengthened to as much as a day and a half.

18 In most departments, mail is processed throughout the day and is generally delivered on the same day it is received. An exception is the Department of Veterans Affairs where the sub-registry system lengthens processing time to the extent that mail may not reach the action desk until the day following receipt.

19 The operating statistics and costs of processing incoming mail in ten departments are summarized in Table 5. It reveals that the lowest total processing cost is \$79 a thousand pieces in the Department of Veterans Affairs, and that the cost is \$472 a thousand in Public Works. The average total cost is \$192.10 a thousand pieces, excluding delivery from the registry to the action desks.

OUTGOING MAIL

20 Outgoing mail is received in mail rooms throughout the day and, generally, depart-

ments bag and despatch to the Post Office at least twice a day. In six departments, outgoing mail is metered, bagged and despatched to the Post Office after normal departmental working hours, so that all mail can be cleared daily. Mail despatch is generally effective, although more frequent daily delivery would ease the burden on the Post Office.

21 In preparing mail for despatch, most departments surveyed follow a number of standard steps, such as accuracy checks, insertion of mail into envelopes and bulk mailing, metering, and bagging of mail. In some departments, the mail room checks to ensure that the:

- Proper enclosures are attached.
- Correspondence is signed.
- Envelope address is in agreement with that indicated on the outgoing letter.
- Copies of original letters are not enclosed in the envelope.

22 The majority of mail rooms are responsible for inserting mail into envelopes, even when the envelope is typed in the action office and attached to the outgoing letter, and most departments utilize bulk mailing. In some departments, the mail room holds large, pre-addressed envelopes, and sorts and inserts the mail. In others, the pre-addressed envelopes are held in registries, or sub-registries, or even in the offices that prepare the correspondence.

23 At the present time, four methods of affixing postage are used by departments:

- A metered impression of the name of the department, the signature of the deputy minister, and the appropriate postage cost, or "00" on all mail enjoying free delivery privileges.
- A rubber stamp impression of a deputy minister's signature on an envelope is accepted by the Post Office, and mail thus franked is carried free.

Table 5—MAIL OPERATIONS STATISTICAL DATA—INCOMING
All figures are computed on a daily basis.

DATA ITEMS	Agriculture	Citizenship and Immigration	External Affairs	National Defence	National Health and Welfare	Customs and Excise	Post Office	Public Works	Transport	Veterans Affairs	Unemployment Insurance Commission	Low	High	Average
1. Total Daily Volume Received	5,701	5,460	6,700	8,545	3,473	4,426	5,513	864	3,278	9,390	734			
2. Volume Delivered at First Sort	2,332	500	Nil	4,000	910	3,096	503	144	787	3,160	104			
3. Total Daily Staff Salary Cost	\$28.96	With 10	\$12.67	\$15.90	\$15.68	\$8.94	\$29.28	\$2.13	\$7.14	With 10	With 10			
4. Total Daily Hours Expended and Staff	16:5	With 11	8½:2	8½:4	9½:9	6:3	12:4	1:1	3:1	" 11	" 11			
5. Hourly Production Rate	356	" 12	788	1,005	366	738	459	864	1,093	" 12	" 12			Units
6. Total Cost per Thousand Pieces	\$5.10	" 13	\$1.90	\$1.90	\$4.50	\$2.00	\$5.30	\$2.50	\$2.20	" 13	" 13	\$1.90	\$5.30	\$3.20 -8
7. Volume Opened	3,260	5,060		4,545	2,066	1,330	5,010	720	2,491	2,500	630			
8. Volume Time or Date Stamped	3,142	5,060		Nil	885	1,330	Nil	720	2,491	2,500	630			
9. Volume Serial Numbered	1,873	5,060		Nil	570	Nil	4,840	720	2,491	Nil	Nil			
10. Total Daily Staff Salary Cost	\$22.05	\$24.92		\$23.94	\$11.82	\$20.03	\$34.56	With 16	\$35.87	\$53.46	\$5.43			
11. Total Daily Hours Expended and Staff	15:7	16½:6		18:4	6:4	7½:8	18:6	" 17	17:17	27:7	3:1			
12. Hourly Production Rate	217	330		253	344	177	278	" 18	147	348	267			
13. Total Cost Per Thousand Pieces	\$6.80	\$4.60		\$5.30	\$5.70	\$15.10	\$6.90	" 19	\$14.40	\$5.70	\$7.40	\$4.60	\$15.10	\$8.00 -9

Table 5 — MAIL OPERATIONS STATISTICAL DATA — INCOMING — Concluded

All figures are computed on a daily basis.

DATA ITEMS	Agriculture	Citizenship and Immigration	External Affairs	National Defence	National Health and Welfare	Customs and Excise	Post Office	Public Works	Transport	Veterans Affairs	Unemployment Insurance Commission	Low	High	Average
14. Volume Delivered at This Point	2, 184	459		1, 546	1, 016	Nil	671	Nil	Nil	3, 500	Nil			
15. Volume Classified to File and Routed	1, 326	3, 541		1, 759	1, 050	878	1, 875	720	2, 491	2, 655	1, 266			
16. Total Daily Staff Salary Cost	\$90.71	\$174.58		\$144.53	\$150.48	\$75.30	\$80.50	\$141.90	\$303.80	\$52.52	\$62.70			
17. Total Daily Hours Expended and Staff	47:13	86:17		70½:17	66:18	30:6	70:10	66:11	140:20	26:6	38:6			
18. Hourly Production Rate	28	41		25	16	29	25	11	18	102	33			
19. Total Cost Per Thousand Pieces	\$68.40	\$49.30		\$82.20	\$143.30	\$85.80	\$42.90	\$197.10	\$122.00	\$19.80	\$49.50	\$19.80	\$197.10	\$86.00-10
20. Volume Delivered at This Point	898	107		Nil	542	181	183	Nil	Nil	Nil	327			
21. Volume Recorded	41	215		1, 821	Nil	697	398	180	335	Nil	119			
22. Volume Briefed	Nil	Nil		Nil	Nil	508	Nil	180	335	Nil	Nil			
23. Total Daily Staff Salary Cost	N/A	\$4.80		\$53.90	N/A	\$89.25	\$13.32	\$33.08	\$21.84	N/A	\$9.66			
24. Total Daily Hours Expended and Staff	N/A	3:2		38½:7	N/A	42½:13	6:1	17½:3	13:3	N/A	7:2			
25. Hourly Production Rate	N/A	72		48	N/A	16	66	10	26	N/A	17			

26. Total Cost Per Thousand Pieces	N/A	\$22.30	\$29.60	N/A	\$128.00	\$33.50	\$183.80	\$65.20	N/A	\$81.20	0	\$183.80	\$77.70 -7
27. Volume Filed Before Delivery	1,220	3,434	1,759	736	166	1,691	720	2,491	2,655	939			
28. Total Daily Staff Salary Cost	\$47.79	\$209.98	\$58.80	\$19.19	\$5.40	\$42.00	\$64.26	\$104.14	\$142.09	\$28.29			
29. Total Daily Hours Expended and Staff	29½:8	113½:17	42:10	9½:4	4:1	25:25	42:6	63½:13	78½:24	20½:6			
30. Hourly Production Rate	41	30	42	77	42	68	17	39	34	46			
31. Total Cost Per Thousand Pieces	\$39.20	\$61.10	\$33.40	\$26.10	\$32.50	\$24.80	\$89.30	\$41.80	\$53.50	\$30.10	\$24.80	\$89.30	\$43.20-10
32. OVER-ALL TOTAL COST PER THOUSAND PIECES	\$119.50	\$137.30	\$152.40	\$179.60	\$263.40	\$113.40	\$472.70	\$245.60	\$79.00	\$168.20	\$79.00	\$472.70	\$193.10

NOTES:

- (1) Items 1 to 6 are Primary Sorting.
 - (2) Items 7 to 13 are Mail Opening.
 - (3) Items 15 to 19 are File Classification and Action Routing.
 - (4) Items 21 to 26 Record /Briefing.
 - (5) Items 27 to 31 are the Correspondence Placed on File.
 - (6) Statistics for External Affairs were not forthcoming other than for the Primary Sorting.
 - (7) The DVA figure of 3,500 at Item 14 are Hospital Treatment copies which are processed through direct to the files as put away papers.
 - (8) The UIC figures of 734 and 1,266 at Items 1 and 15 reflect bulk mailing from District Offices.
- (9) Salary costs have been calculated on the basis of an 1890 hour work-year.
- (10) Item 32 is the sum of Items 6, 13, 19, 26 and 31.
- (11) Where the word "With" appears, this means that the two operations were so interlocked that separate calculations could not be made: these calculations are made from the higher basic figure.

- A postage stamp overprinted with a "G" is used in government offices where there is no postage meter or deputy minister's signature-stamps are not issued.
- The Department of Finance merely pre-prints its official envelopes with "Department of Finance" in script, and the Treasury Office for the Department of Veterans Affairs uses a pre-printed envelope indicating "OHMS" and "Free only if mailed in Canada".

24 The present procedures require such operations as: justifying and procuring postage meters; renting and repairing meter heads; requisitioning and purchasing meter credit; assessing postage required; affixing stamps; and requisitioning, purchasing, distributing and accounting for over three-quarters of a million dollars worth of "G" stamps, both in Ottawa and the field.

25 Your Commissioners believe that all departments should pay for the cost of mailing and that the method of settling with the Post Office could be simplified. All federal government mail could be despatched with some other appropriate identifying mark, such as "Postage and fees paid", an extension of the method used by the Department of Finance. A saving would be realized in salary costs necessary to account for postage, in purchase cost of meter machines, and in rental charges. The compensation of the Post Office could be based upon a statistical sample of volume from each department. This method is employed by the United States Government.

26 In two departments, outgoing mail control practices appeared to be excessively costly. In Customs and Excise, in addition to a diary copy of all outgoing letters, details of the letter are entered on an index card that contains particulars on the related incoming letter. In External Affairs, an elaborate control system is used for diplomatic mail, including a transit form in multiple copies

listing all documents in a diplomatic bag. The form is used to check the contents of the bag on receipt, to acknowledge receipt to the originating officer, and to obtain receipt for mail from the final receiving office. With a better file classification plan and more selective control of mail, a more economical system could be developed.

27 The volume and cost of processing outgoing mail are shown in Table 6. The Departments of Agriculture and Citizenship and Immigration operate at the lowest costs, approximately \$2.40 and \$1.70 a thousand pieces respectively. The rate of \$7.00 a thousand pieces at External Affairs would be lower if security control of diplomatic mail were not rated as imperative. The high cost of \$28.20 a thousand at the Unemployment Insurance Commission is partly due to the manual folding and envelope stuffing. The next highest costs of \$13.90 and \$16.50 a thousand pieces at Customs and Excise and Public Works is caused by some expensive practices. For example, nine people at the Clerk 3 level in Customs and Excise separate the copies of outgoing correspondence, fold by hand, and stuff envelopes before transmitting them to the mail room.

MESSENGER SERVICE

28 Messenger services may comprise:

- Vehicles to provide pick-up and delivery of mail at the Post Office, or at different buildings occupied by a department, or at other departments.
- Service within a department for pick-up and delivery of both files and mail.

29 The departments studied had vehicles for pick-up and delivery of mail, and frequency of call appeared satisfactory.

30 For the purposes of assembling the data shown in Table 7, the term inter-office mail includes the delivery of both incoming and

Table 6 — MAIL OPERATIONS STATISTICAL DATA — OUTGOING MAIL
All figures are computed on a daily basis and are based on a 1961 sample.

DATA ITEMS	Agriculture	Citizenship and Immigration	External Affairs	National Defence	National Health and Welfare	Customs and Excise	Post Office	Public Works	Transport	Veterans Affairs	Unemployment Insurance Commission	Low	High	Average
1. Total Daily Volume Despatched	12,143	9,720	8,500	9,773	3,100	4,500	3,167	775	5,510	3,600	550			
2. Volume Recorded or Copy Filed	Nil	Nil	5,200 diplomatic	Nil	Nil	672-both	Nil	775	5,510	Nil	Nil			
3. Volume Briefed	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil			
4. Volume Copied	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil			
5. Total Daily Staff Salary Cost	\$29.14	\$16.56	\$59.40	\$36.08	\$16.07	\$62.40	\$18.10	\$12.78	\$29.75	\$26.46	\$15.50			
6. Total Daily Hours Expended and Staff	15½:4	12:6	33:9	22:6	10½:10	32:14	10:3	6:1	17:6	14:4	12½:5			
7. Hourly Production Rate	783	810	258	444	267	141	317	129	324	257	44			
8. Total Cost Per Thousand Pieces	\$2.40	\$1.70	\$7.00	\$3.70	\$5.20	\$13.90	\$5.70	\$16.50	\$5.40	\$7.40	\$28.20	\$1.70	\$28.20	\$8.80

Table 7 — MAIL OPERATIONS STATISTICAL DATA — MESSENGER SERVICE AND INTEROFFICE MAIL
All figures are computed on a daily basis and are based on a 1961 sample.

DATA ITEMS	NO FIGURES			NO ORGANIZED SERVICE							Average		
	Agriculture	Citizenship and Immigration	External Affairs	National Defence	National Health and Welfare	Customs and Excise	Post Office	Public Works	Transport	Veterans Affairs		Unemployment Insurance Commission	Low
1. Total Daily Volume Handled	17,560	22,610		64,937	7,908		10,099	3,119	8,788	18,912	1,439		
2. Daily Interoffice Volume	5,085	7,688		46,619	1,334		1,419	1,480	No rec.	7,312	155		
3. Interoffice Volume Time or Date Stamped	Nil	119		Nil	Nil		92	Nil	Nil	Nil	Nil		
4. Interoffice Volume Recorded or Briefed	Nil	Nil		Nil	Nil		Nil	Nil	Nil	Nil	Nil		
5. Total Daily Staff Salary Cost	\$86.72	\$98.48		\$202.88	\$69.86		\$72.00	\$104.78	\$204.75	\$84.53	\$24.30		
6. Total Daily Hours Expended and Staff	70½:12	97½:13		116½:15	51½:7		60:11	82½:11	157½:21	52½:7	22½:3		
7. Total Cost Per Thousand Pieces	\$4.90	\$4.40		\$3.10	\$8.80		\$7.10	\$33.60	\$23.30	\$4.50	\$16.90	\$3.10	\$33.60 \$11.80

outgoing mail. The inter-office mail volume was particularly high in the Department of National Defence, as shown in item 2 of Table 7. This table also shows that:

- The lowest cost of just over \$3.10 a thousand pieces is achieved by National Defence for delivering incoming, transmitting inter-office, and picking-up outgoing mail.
- The highest cost of \$33.60 a thousand pieces is at Public Works.
- The average cost per thousand pieces is \$11.80.

31 As stated earlier in this report, the majority of incoming letters are attached to files. This results in literally tons of paper being transported daily by messengers, despite the fact that a great part is not needed. An experiment in R.C.A.F. headquarters demonstrated that seventy per cent of the mail could be acted on without the file. A study by all departments should be undertaken with the objective of:

- Reducing the volume and weight of material transported by messengers.
- Speeding the movement of mail.
- Reducing clerical costs.

32 Little consideration has been given to the installation of built-in mechanical aids, such as conveyor belts, vacuum tube systems, and dumb waiters, to move mail and files in government buildings. Many private concerns have installed such equipment in recent years, including a large company in Ottawa which installed a conveyor belt system. Built-in mechanical aids should be considered when planning future office accommodation.

33 In a number of departments, publications are distributed in volume by means of mailing lists that remain relatively stable. The Department of Public Printing and Stationery prints these publications and could do the mailing, thus eliminating the necessity of transporting publications from place to place.

CONCLUSION

34 It is estimated that over 100 million pieces of incoming mail are processed annually at a cost exceeding \$20,000,000, with files operations accounting for over seventy-five per cent of the cost. At least \$2,500,000 is spent to handle 200 million pieces of outgoing mail; \$5,500,000 is spent annually for postage; and \$5,750,000 worth of mail is carried by the Post Office free of charge. Thus, approximately \$34,000,000 is spent annually by mail rooms, registries and the Post Office to handle government mail.

35 Part of this large cost can be reduced in the mail room and part in the file room, and departmental management should determine the degree of service that is necessary and economical. Mail should be processed by methods that ensure quick and accurate handling and, at the same time, provide adequate, low-cost controls. Success will depend, however, on active participation and support throughout the department. In particular, senior officials must maintain an interest in mail operations as one of the department's important systems. Significant economies should result from a detailed review of mail handling practices carried out in each department by its management services group.

5

FILES

1 Office files are sometimes called the business memory of an organization. They hold the records of transactions of the past and the information required for present and future decisions. The millions of individual facts and decisions contained in the files must be maintained in an orderly fashion so that vital information may be obtained accurately, quickly and economically. The continuing growth of office files results in a never-ending demand for more equipment and space and for more people to service them.

2 In evaluating the effectiveness of filing operations in government departments, your Commissioners considered the following questions:

- Is there within departments sufficient control over all records to provide uniform classification and filing systems, standard procedures, forms and equipment, and manuals for the guidance of registry personnel?
- Does the classification, indexing and filing system facilitate the speedy recording, locating and distribution of complete rec-

ords to the user with minimum use of auxiliary finding aids?

- Are records so located as to be easily accessible to the user and to minimize the number of staff required to sort, file, store and find them?
- Are registry personnel numerically commensurate with volume of records handled, and are they properly trained?
- Does a plan exist to control the creation of records, identify dormant records, transfer dormant records from high cost active working areas to cheaper storage, and safeguard permanent records?

3 The holdings of government records were surveyed in 1959 by a sub-committee of the Public Records Committee, which studied twenty-three departments and twenty-nine agencies. Only spot checks of field offices were made, and departments themselves compiled the statistical data; therefore the Committee stated emphatically that all figures should be considered conservative. Nevertheless, statistics compiled by the Committee revealed that the filing operation in the fed-

eral government is big business, as illustrated by:

- Salary costs: \$27.5 million annually for 12,000 employees.
- Space costs: \$4.5 million for the fiscal year 1958-59.
- Space occupied: Ottawa—1,123,000 square feet; other parts of Canada—1,357,000 square feet; total—2,480,000 square feet.
- Volume of records held: Ottawa—911,000 cubic feet; other parts of Canada—1,254,000 cubic feet; total—2,165,000 cubic feet.
- Approximately thirty-eight per cent of government files were dormant.

4 The report on the 1959 survey also contains the following statement:

Without including capital costs for equipment, the annual expenditure for records services of the agencies and departments surveyed by this committee is over \$32 million and there is some question in our minds whether this money is used to best advantage. Inefficiency, as shown by wastefulness and poor service, occurs in many different ways but it appears to have one basic cause: neglect of the records services by senior departmental officials.

5 During the present study, some improvement in the general efficiency of the registry operations was noted. However, the “neglect of the records services” still exists.

6 As a result of a lack of adequate control within departments, there are many different index systems, file classification plans and filing methods. These differences cause wide variation in the quality of service within departments. There is duplication of files, index cards, charge-out cards, and other such forms used in registry operations; and there is ineffective use of space and staff.

7 Departmental organization charts generally show that there is central control over

the custody and maintenance of records; however, such control exists in only two departments, and only two departments have any degree of effective control over field records outside their Ottawa offices. In Customs and Excise for example, the organization chart indicates that all records are centrally controlled, but there are actually fourteen independent uncontrolled registries in Ottawa, and there is no headquarters control of records in the field.

8 Another aspect of departmental control is the effect of the position accorded to the files managers in the organization structure. In the Department of Agriculture, there are eight independent registries; the supervisor of the departmental administration registry is the unofficial records expert and is sometimes called upon to provide guidance and assistance to other registry supervisors. In particular, he was “semi-officially” charged with the task of implementing a uniform departmental file classification plan developed with the assistance of the Civil Service Commission, Management Analysis Division, in 1957. Thus, a principal clerk from one branch was expected to sell the plan to eight branch chiefs. Although he received support from the Administration Branch, only three registries have adopted the system; they are well satisfied, proving that increased efficiency and simplified files classification can be achieved.

9 Two serious problems face the records manager in the Administrative Services Division of the Department of External Affairs, namely, a completely inadequate and outdated file classification plan, and the staff rotation policy of the department. Prior to 1940, a file was opened each year by subject as received; for example, the first letter received in January, 1939, was assigned file number 1-39 and indexed according to subject. The first letter received on a different subject was assigned file number 2-39. In 1940, due to staff shortage, it was decided to drop yearly opening of files, and those created

in 1940 became permanent. Since there is no planned grouping of subjects, the system is inadequate and requires many additional "crutch" indexes to locate information on file.

10 Under the Department of External Affairs' staff rotation policy, registry operations are continually understrength by twenty to thirty employees, because of overlap in postings, home leave, etc. The Registrar, realizing that operations are inefficient, has repeatedly drawn attention to the need for a new file classification plan and other changes. Unfortunately, no action has been taken.

FILE SYSTEMS

11 The file classification plan is the most important component of a filing system. If the plan does not facilitate the classifying, filing and, more particularly, the finding of information, it engenders tedious, lengthy and costly processes. Plans now in use are based on such systems as Dewey decimal, subject numeric, or subject block numbering. The effectiveness of the systems observed ranged from poor to excellent, and the labour cost of classifying ranged from nine cents to thirty-five cents a letter.

12 The file classification plan used in the Department of External Affairs has been mentioned earlier. Subject file numbers have little meaning and, with no subject grouping, headings are so indefinite that a classifier may place a letter in any one of a number of different files. Each classifier processes sixty-seven letters a day, compared to one hundred and fifty a day in most other registries. Five index systems are required to assist in locating correspondence:

- Alphabetical listing by subject title of all files, indicating file number.
- Cross-reference subject card index.
- Numerical index of subject.

- Alphabetical name index of individuals relevant to the subject of a letter.
- Every numbered letter received from and sent to missions abroad is recorded on a "chronological" card and filed by post and letter number.

13 Eighty per cent of correspondence charged out in the Department is placed on a false docket file to speed up action by avoiding use of the main file. The creation of false dockets, which involves attaching and charging out correspondence, removal of correspondence from returning false dockets, and subsequent filing of paper on main file, requires the full time of three clerks, plus additional time by the classifier to check returning false dockets to ensure completeness and correctness of classification. The use of false dockets causes backlogs. At the time of this survey, 4,500 pieces of mail awaited attachment to main files. Despite the special indexes and the use of false dockets, locating correspondence sometimes takes many hours or, in some cases, days. The Registrar estimated that at least half of his own time is spent tracing correspondence.

14 The file classification plan used in the main registry of Customs and Excise is such that eighty per cent of the letters are handled loose. Files are created by tariff item number, and it is common to find more than seventy volumes of one file, making it almost impossible to locate quickly a ruling or specific letter on file. Thus, the Department has created:

- A 700,000 card index of all rulings.
- An incoming and outgoing correspondence index, arranged alphabetically by name of individual or company, containing the date, the departmental file and volume number, and a short description of content.
- An additional file of all outgoing letters by page number and date.

15 The installation of an adequate file classification plan would produce a workable file where rulings and letters could be easily located. This would eliminate the correspondence index and achieve a significant reduction in labour.

16 Generally, index systems are employed to help locate information which cannot be found because of inadequate file classification plans. Some indexes are simply over-control of paper; for example, recording all incoming and outgoing letters by date, originator and subject content. The Department of Veterans Affairs utilizes:

- Card index by regimental number of veteran to provide name.
- Card index arranged alphabetically by name of dependants to identify name of veteran.
- Card index by name of veteran to establish if there is a file.
- Ledger index by pension allowance number to provide name of veteran or dependants.
- File listing by subject indicating subject file number.
- Alphabetical card index for file cross-references.

Registries in the Post Office Department operate with some freedom from central control, and there are:

- Seven separate index systems by subject.
- An index by Post Office number.
- An index by alphabetical listing of post offices.
- An alphabetical staff name index.
- An index by service; for example, rural delivery.

There is little doubt that half the indexes of the two departments could be eliminated, saving labour, equipment and space.

17 File inspection is required when correspondence is attached to a file by the user, or when charge-out systems are neglected. However, in many cases, file inspection is over-elaborate and tends to relieve the user of responsibility for sloppy handling. In addition to the extra cost, file inspection delays the return of files to cabinets, in many cases by as much as half a working day. Most file supervisors admitted that file inspection detected few errors, but all believed inspection was essential to ensure that files are kept in good condition.

18 An example of over-elaborate file inspection was observed in the Department of Transport, where ten clerks are employed full-time on this work. In addition to the usual inspection of the condition of the file, they check to ensure that: the 'bring forward' is recorded; that there has been no misfiling by user; that the routing action is completed; and that there are no classifying errors. It was estimated that errors were detected in only five per cent of files examined, and the greatest benefit derived was the replacement of torn file covers.

PERSONNEL

19 Because of the routine, repetitious work in the registries, training is restricted and opportunities for advancement are few. As a result, registry positions tend to attract applicants of limited capacity, and morale is poor. The average person starts on records work at a salary of \$140 per month, and may in time achieve the position of Clerk 3 at a maximum salary of \$335 per month. About eighty-five per cent of the registry positions in the departments studied were clerks grade 3 or lower. Within this range, there are many variations in the salary classifications for persons doing the same job. For example, in National Defence, there are twenty-six subject classifiers; one is a Clerk 4, eleven are Clerks 3, ten are Clerks 2, three are Clerks 1, and one is a Clerical Assistant.

20 There is no standard for determining the classification of supervisors. Instances were observed where Clerks 2 and 3 were carrying out the same duties and responsibilities as supervisors classified Clerk 4. The following inconsistencies in the Post Office Department are cited as examples:

- The supervisor of the Engineering and Development Registry is a Clerk 3, responsible for supervising all registry functions, indexing, coding and filing, with a staff of four clerks.
- The supervisor of the Transportation Registry is a Principal Clerk, responsible for supervising and directing all registry functions, indexing, coding and filing, with a staff of seven clerks.
- The supervisor of the Filing and Attaching Services in the Administration Registry is a Principal Clerk, responsible for supervising all file activities and the messenger service, with a staff of twenty-six clerks.
- The indexers in the Administration Registry are Clerks 3, who code, classify, index and allocate incoming mail, and have no supervisory duties.

Very little difference exists in duties and responsibilities of filing clerks in the registries examined, yet their classification ranges from Clerical Assistants to Clerks 2, a difference of \$100 a month. An orderly and systematic reclassification of these positions throughout the service is required.

RECORDS DISPOSAL

21 A programme for the orderly disposal of records is required to prevent unnecessary accumulation of dormant and useless records occupying costly space and filing equipment, and slowing down reference to active records. The retention of records which have permanent or historical value must also be planned on a systematic basis. None of the departments studied has a fully effective records

disposition programme in operation. All but one make some attempt to schedule their records and take steps to destroy some records and transfer others to the Public Records Centre in Ottawa. Some have small permanent staff groups which transfer dormant records to the Public Records Centre, strip files of extraneous material, or destroy them. Generally, however, departments only give active attention to this problem and destroy records when forced to do so by space limitations.

22 In most departments, records scheduling is assigned to the registry supervisor. This official normally lacks sufficient authority to require users to permit him to dispose of records. The following are examples of the differences in records disposition activities:

- In the Department of Agriculture, there is no attempt to schedule records, files are not systematically destroyed, and there are no plans to do so. Files are transferred to departmental dormant storage either during a special review or when space becomes a problem. No staff is assigned to records disposal work.
- In Customs and Excise, approximately fifty per cent of the records are scheduled, but no staff is assigned to the disposal function. Few files have been destroyed, because of rulings contained therein, and file reviews are undertaken only to relieve overcrowding. Many scheduled retention periods are unrealistic; for example, copies of all outgoing letters are presently held for five years, and even simple requests from the public for customs forms are held three years. This Division's total file volume is estimated at 32,750 cubic feet, including 20,500 cubic feet of semi-active and dormant records stored in basements. Probably eighty per cent could be destroyed or transferred to the Records Centre.
- In the Post Office Department, ninety-five per cent of the records have been scheduled,

and a very active programme of file review, stripping and destruction is carried out by a file retirement and library unit of three full-time clerks. A comprehensive retention and disposal schedule has been drawn up for the guidance of the staff involved. Since 1945, it is estimated that over seven million file folders of documents and forms of all types have been destroyed. Over 3,400 cubic feet of records are stored at the Public Archives Records Centre and, in 1960, 46,120 files and 1,685 bundles of miscellaneous forms were destroyed. This records programme is in startling contrast to the apathetic approach found in other departments where most senior officials show little interest in requiring a planned programme of records retention and disposal. Consequently, there is an incomplete understanding of what constitute active and

dormant records, with most departments adopting the attitude of "keep it in case".

CONCLUSION

23 Suitable legislation would give emphasis to the departmental responsibility to document activities and would establish a continuing control over the creation, maintenance, use, and disposition of records. When proper principles and techniques are established and utilized, the benefits to the government will be substantial. The destruction of useless records, the removal of inactive records from office space, and the use of sound filing practices, could bring annual savings of over \$3,000,000. The benefits to be derived from more rapid and accurate access to files and information defy monetary assessment.

6

LIBRARIES

INTRODUCTION

1 Libraries play an indispensable role in providing material to public administrators in making decisions or advising on policy. The libraries in the federal public service share the same library skills and techniques that have contributed to a growing professionalization of the librarian's craft throughout Canada. In so far as many exist to serve the special needs of departments or agencies, the standards of financial support, acquisition and administration differ somewhat from their counterparts in universities and elsewhere.

2 Excluding branch libraries, there are in Ottawa some forty libraries in departments, agencies and Crown corporations. Outside the capital, there are approximately twenty-five branch libraries and military college libraries. In addition, there is the National Library of Canada, created in 1953 and ultimately to be housed in quarters of its own. The Library of Parliament is outside this Commission's terms of reference.

3 Libraries must be accessible to users and must normally be housed in prime office

space. But libraries devour space: a good research library, for example, may double in size in less than twenty years. Libraries building national collections in special fields may also increase rapidly. Most of the major departmental libraries are now short of space, and even some of the medium-sized will require more space within the next five years.

4 The space problem can be sketched in a few words. Annually, about 160,000 books, pamphlets and documents, and more than 400,000 individual issues of periodicals are added to the libraries covered in this review. A conservative estimate sets the amount of new shelving required each year at nearly ten miles.

5 It is difficult to make a precise estimate of the cost of libraries in the public service, but the salary budget runs to more than two million dollars, and another million is spent on books, periodicals, and so on. Costs of space, binding and library furniture are substantial.

6 The library of the National Research Council has the most extensive collection and

employs the largest staff. The National Library stands second in size of staff, though third in total of collection. The Department of Agriculture, which has maintained a library for half a century, now has the second largest collection. Altogether, the forty libraries in Ottawa are staffed by some 125 professionally qualified librarians and an additional group of 250 clerical workers, translators and editors.

7 The resources of these libraries are substantial. They include 2,250,000 bound volumes, 30,000 periodical titles, and more than one million pamphlets and documents. Five of them have significant holdings of maps, the largest collections being in the Geological Survey Library and in the Public Archives. The latter, along with the National Library, has the only significant holding of historical newspapers. Microfilm or microcard is used extensively by only nine libraries, although others are equipped to provide such service.

8 These impressive resources, subject to certain necessary restrictions, are in the main accessible to both the civil service and the public at large. Visitors from Commonwealth countries, research workers sponsored by UNESCO, and students from Canadian and foreign universities make wide use of these facilities and materials. Such use is particularly marked in the fields of agricultural research, statistics, communications, health and welfare, labour relations, forestry, science and technology. Needless to say, the Library of the Public Archives and the National Library have contributed in important measure to scholarly research in the humanities. All of this is in the good tradition of library service and helps to account for the excellent public relations enjoyed by federal libraries.

STAFFING

9 In the forty libraries reviewed, there are about 125 positions which normally should be filled by professionally trained librarians.

Ten of the libraries, mostly smaller collections, were not headed by professional librarians; eight library positions were filled by clerical or technical officers; and three Librarian 1 positions were reclassified recently to clerical positions.

10 Librarians are in short supply throughout Canada, and this shortage has been reflected in the federal government's difficulty in attracting qualified personnel. The scale of salaries authorized does not provide attractive starting salaries. In practice, initial recruits are brought in at a mid-point in the range for Librarian 1 in order to match comparable rates paid in the larger cities. Normal progression, starting at \$4,560, is to move after two years into Librarian 2, thence by steady increments to Librarian 4, carrying a top salary of \$6,900. Few reach the Librarian 5 class and fewer still find outlets beyond in the "Administrative Officer" or "Chief Librarian" classes. A career of twenty to thirty years can be expected to bring the employee to a salary level of \$7,500.

11 Some comparisons give point to the salary position of the librarian in relation to his colleagues in other classifications of the public service. Three young people, two with a university B.A. in history and the third without university education, may decide to enter the public service. One university graduate is engaged as an Archivist 1; the other goes to library school and after gaining his Bachelor of Library Science in an additional year enters the public service as Librarian 1. The latter will begin at a lower starting salary and will never reach the archivist's salary; after eight years he will be earning \$1,000 less. At the end of fifteen years he will have reached the top which is some \$900 less than double his starting salary. Meanwhile, the archivist will be earning more than double his initial salary and still will not have reached the ceiling. The third student, entering directly from high school as a Technical Officer 1 at \$300 less than the librarian, can look for-

ward to a career that may pay him a salary of \$360 more than the librarian can hope to attain.

12 While such salary conditions have significant repercussions on recruitment of librarians and their career prospects, equally important is their recognition as professionals in the public service. Here, the most impressive feature is the unevenness of standards. For one large library collection containing more than 28,000 items, in a field requiring special knowledge and librarian skills, there is no professional head. In another smaller library, approval was granted for a professional head and a Librarian 4 was appointed. At the same time, the head of a large and active library serving all Canada has a professional staff of four, but is himself classified as a Librarian 4. These illustrations can be readily multiplied.

13 The rising demand from all quarters for librarians, in spite of the recent founding of two new library schools, is certain to bring about a serious shortage of librarians over the next decade. Government must seek promptly to rectify its uneven standards, low salaries and poor career prospects if it is to provide adequately for its needs in the future.

14 An essential first step is to establish a clear definition of a library in the public service, for not every collection of books warrants the designation. Certainly, such obvious yardsticks as physical size of collection, variety of duties, level of responsibility, reference and research functions, and the degree of professional judgment required need to be considered. Departmental managers must clarify their own conceptions of the status and role of libraries, so that operation does not bog down in clerical routine.

15 A differentiation between a library and a "collection" should also strengthen the professional content of librarian work. For smaller collections, clerical workers assisted

by professionals in the National Library should be adequate. The decision to raise the status of a collection to that of a library should only be taken after certain standards have been applied and met.

16 Present library salary classifications appear to be descriptively accurate, but the series might well be carried to a higher rank than at present, as a means of raising the professional tone of the work performed. At the same time, starting salaries and the whole pay range should be reviewed in the light of competitive salaries paid outside the service.

17 There is much to commend a scheme of recruiting applicants with general arts degrees as Technical Officers 1, employing them for a year in a library and, where careful assessment reveals genuine competence, sending them to an accredited library school. This scheme has already had limited application and might well be continued on an expanded basis.

ADMINISTRATION

18 Departmental libraries are commonly supervised by library committees appointed by the deputy minister and consisting of the deputy or his immediate assistant, the administrative head directly in charge of the library and one other, usually a branch head. These committees review the library budget, annual reports, general policy of main library and branch libraries, and any specific matters referred by the librarian.

19 In departments or agencies where library service has been introduced relatively recently, library committees tend to busy themselves in detailed appraisals of book purchases and day-to-day administration. Library committees have a proper function as advisers on policy, but it is costly for them to become involved in day-to-day management of the library, and derogatory to the professional capacities of the librarian.

20 Three of the main activities of libraries offer opportunities for centralized operations. These are cataloguing and classification, book purchases and binding. Centralized reference service, on the other hand, is obviously inconsistent with the purposes of departmental libraries. The trend, in fact, is toward excessive decentralization that may, if carried to excess, disperse the central heart of the collections.

21 Centralized cataloguing and classification services work well when libraries have common needs and similar collections, and desire reasonably uniform coverage. However, the subject range of materials in federal libraries is such that there is little duplication of titles. On the whole, apart from a central catalogue service maintained by the National Library (to be discussed later), there is much merit in permitting each library to do its own cataloguing, oriented to the special requirements of its users.

22 In April, 1955, a centralized system of book purchasing, previously administered by the Department of Public Printing and Stationery, was transferred to the National Librarian. Certain specialized classes of purchases were left within the direction of departments, subject to report to the National Librarian; all other purchases required his prior approval.

23 This arrangement was helpful in enabling the National Library to maintain a complete union catalogue of books in federal government libraries, though the libraries of Crown corporations fall outside the system. In practice, where libraries were professionally staffed, the National Librarian soon delegated his authority for book purchases. In September, 1957, a regulation was passed which, while reserving to the National Librarian general direction of purchasing policy, permitted the purchase of books by departmental libraries without his prior approval. It is suggested that the system, which

appears to work reasonably well, might now be improved by requiring advance approval of the National Librarian for any work the purchase price of which exceeds fifty dollars. Under such moderate controls, librarians would be allowed a degree of discretion that will fully recognize their professional skills and standards.

24 There is no standard procedure for purchasing books and, while no two departments have the same requirements, there is room for developing common forms and procedures. A manual, setting out the standard steps in requisitioning, approving, ordering and paying for books and like material, could be readily prepared and would be most helpful in co-ordinating varying departmental practices.

25 The purchase and handling of periodicals raise special problems. Federal libraries purchase annually 30,000 periodicals at a subscription cost of around \$100,000. The cost, in terms of staff time, of shelving and routing periodicals is high. Binding and storage add further to the total cost of this class of material. Departmental library committees should review annually the needs of their departments for periodicals, and should similarly examine the routing and retention policies. No standard procedures can be laid down but, without periodic review of purchasing policies and administrative practices, the not insubstantial costs cannot be properly controlled. These are basically matters for departmental decision but co-operation with the National Library, as noted below, should be sought.

26 Responsibility for determining the quality of binding and the place where binding is to be done has been assigned to the Department of Public Printing and Stationery. Departmental libraries have occasionally been permitted to send out binding to federal penitentiaries and even to private binderies but, in the main, close control has been exercised.

27 This arrangement has been criticized for the long delays and high cost. The quality of work is often higher than circumstances warrant. No invoice scanned in the course of this inquiry showed the Queen's Printer able to match either price or delivery time of competitors. If central storage of back copies of periodicals and other publications is developed, and if there is proper control of the numbers to be retained, the need for individual libraries to maintain bound runs will lessen. Periodicals destined for storage should be inexpensively bound or not bound at all, and worth while savings can be effected through proper planning in this area.

THE NATIONAL LIBRARY

28 Consideration of those aspects of library administration which, to some extent, lend themselves to a degree of centralization leads naturally to some account of the status and functions of the National Library.

29 The National Library of Canada came formally into existence on January 1, 1953, on the proclamation of the National Library Act. On that date the Canadian Bibliographic Centre, the forerunner of the Library and active since 1950, was absorbed into the new institution. The National Library is housed temporarily in the Public Archives Records Centre at Tunney's Pasture, Ottawa.

30 The general purpose of the National Library is to gather a national collection of books and other materials. It is to compile and maintain a national union catalogue in which the holdings of libraries throughout Canada are listed. It is to be responsible for the compilation and publication of a national bibliography in which books produced in Canada, written or prepared by Canadians, or having special interest or significance to Canada, may be noted and described. It is to be responsible for the compilation and/or publication of other bibliographies, checklists and indexes. Finally, the National Li-

brary is to make available, to the greatest extent consistent with sound administration, the resources of the Library to the people of Canada.

31 The institution has now been in existence for eight years. During the whole of the period it has had no home of its own. It has had to recruit and train staff to positions of responsibility and, in common with federal libraries, it has been at a disadvantage in competition for scarce skills. The National Library and the Library of Parliament, working in the closest harmony, have arranged a transfer of a vast number of books and other materials from the Library of Parliament to the National Library. A great volume of material has come in from other sources and not all offers of donation could be accepted until the new building was assured. A comprehensive microfilming project has been undertaken, a seemingly endless cataloguing programme begun, and a heavy editing and publishing commitment undertaken. Moreover, the institution has begun to function as a national centre for reference and inter-library loans and as a clearing house for the location of books and materials sought by research workers.

32 The National Library has begun the collection of books and materials and now has a holding of nearly 250,000 books, with another 100,000 awaiting listing. There are 70,000 periodicals, 50,000 documents, 25,000 pamphlets and 50,000 microprints. Annual accessions are at the rate of 33,000 items, not including 2,000 periodical titles. The card catalogues of all important libraries of a reference or research nature have been filmed and the resulting cards added to the national union catalogue. The publication of a national bibliography, *Canadiana*, has been a fact for some years.

33 When the National Library was created the Dominion Archivist was given the responsibility of directing the preliminary

work and was appointed National Librarian. The two offices continue to be held by the same person. Over the past decade, each institution has taken on its own special characteristics. Although a number of common services have been developed to serve both institutions, there has been no loss of identity or any blurring of the essential objectives of either.

34 The last ten years have seen an unprecedented development in both the archival and library fields. With the emergence of the National Library as a full-fledged national institution, with its own staff and resources, and with the assurance of proper physical facilities, the offices of Dominion Archivist and National Librarian should no longer be the responsibility of a single person.

35 There are two special spheres of interest where the National Library should seek the closest collaboration with other federal libraries. First, the libraries of the Public Archives, the National Museum and the National Gallery, because of their stature, their subject fields and their common interests, are veritable extensions of the national collections. Absorption of these libraries in the National Library may not be feasible, but co-ordination of book purchasing policies is desirable to avoid duplication.

36 Secondly, there is need for co-operative arrangements to be established between the National Librarian and those departmental libraries which have acquired over the years unique collections of national interest. Foremost in this category is the collection of scientific material assembled by the National Research Council. Already, by informal agreement, this library has been designated a national collection, which means, in effect, that the National Library has entrusted the National Research Council library with responsibility for developing and servicing this special field of interest. A more formal arrangement, setting out clearly the condi-

tions under which a departmental library might be entitled to the status of a national collection and assume the consequent responsibilities, would permit the extension of such arrangements to other departments. The Department of Agriculture has a large collection in the living sciences which might be given the status of a national collection. By such means, a sensible and economical division of labour could be worked out between the National Library and specialized departmental libraries of high quality.

37 Attention should now be given to making the most effective use of the central specialized facilities that are becoming increasingly available as the National Library expands. Central storage facilities for little used material in federal libraries is one obvious area to be explored. The National Librarian, bearing in mind the subject emphasis of each departmental library, should negotiate the transfer of such material to central storage. This would have a marked effect on the space needs of individual libraries and yet, by providing a pooled service for items infrequently required, would continue to meet the reference needs of the public service.

38 Extra professional staff should be recruited for the National Library to make possible the rendering of expert and continuing advice to the smaller libraries in departments and agencies which are currently not under the direction of professionally-trained librarians.

39 Federal libraries render essential service in the conduct of the nation's business. Many of them, as noted, form part of our national heritage, and the Canadian public benefits to a marked degree from their resources. Provision for the continued orderly growth and development of the National Library will create a focus for these services and an instrument for effecting economies of operation and improving efficiency of performance in the varied departmental libraries.

7

RECORDS AND ARCHIVES

RECORDS

1 The disposal and custody of public records should be securely founded on clearly formulated programmes for records scheduling and records appraisal. Records scheduling, which provides for the flow of records from origin to final disposition, is a proper function of departmental management; appraisal of records is a task for the archivist. Between these separate but closely related functions, there is the intermediate task of records storage.

SCHEDULING

2 In Chapter 5, FILES, it is stated that there are wide variations in departmental records scheduling practices. In the main, this situation stems from the lack of qualified personnel in central departmental registries; from the absence of appropriate standard procedures for filing and records administration; and from the lack of interest by top officials in assuming responsibility for a planned programme of records retention and disposal.

3 The survey by your Commissioners' staff disclosed a lack of techniques for segregating active from dormant records, for breaking files periodically to separate valuable from ephemeral material, either to facilitate removal of inactive records from office space or to destroy valueless documents.

4 Departmental records personnel were found to be classified at levels which revealed them as the poor relations of departmental administration. In particular, there is need to establish appropriate classifications for senior records officers.

5 In July, 1961, the first training course in records management was conducted, and about the same time a Procedure and Training Manual was published by the Public Records Centre. This initiative needs to be followed up by a more extensive programme of training, if the present deficiencies in records management skills are to be corrected.

6 A Records Management Survey Committee, reporting in February, 1960, concluded that the weaknesses in departmental practices

were attributable to the inadequacies of the over-all control mechanism which had come into being in September, 1945. This mechanism was the Committee on Public Records which now consists of the Dominion Archivist as chairman, and representatives of eight named departments and two named agencies. Although all major departments are represented, none of the government commissions or corporations are included.

7 The powers and duties of the Committee are set out in the Order in Council, P.C. 212, February 16, 1961, as follows:

The Committee shall recommend to the Treasury Board the issuing of directives, as required, on matters pertaining to the maintenance and retirement of records.

The duties of the Committee shall be to keep under constant review the state of the public records; to consider with departments and agencies of government the organization, care, housing and destruction of public records; and to advise such departments and agencies as may be required. In this respect the Committee's principal concern will be with those departments and agencies listed in Schedules A and B of the Financial Administration Act.

The primary responsibility for the care, maintenance and recommendation on the retirement of records rests with the departments and agencies concerned. Each department and agency shall take adequate steps to meet its responsibility for the care, maintenance and retirement of its records.

There shall be no destruction of records, other than excess copies, without approval of the Committee and the Treasury Board.

Departments and agencies should, where practicable, schedule their records for retirement and eventual destruction or long-term retention. All such schedules must be approved by the Committee and the Treasury Board.

8 The only current directive issued by the Public Records Committee is Circular No. 5, May, 1961 which (a) defines "public records" for the first time, and (b) revises procedures for disposal of records. The sincerity of the efforts of the Public Records Committee cannot be questioned, but it is doubtful whether any committee can produce the required results.

9 An effective records scheduling programme must have at least three basic ingredients:

- A statutory base which embodies definitions and delineates functions and responsibilities.
- Standards for the selective retention and disposal of records, promulgated by senior authority.
- Competent staff with sufficient technical skill to put the standards into practice.

PUBLIC RECORDS CENTRE

10 Mid-way between the departments, which create records, and the Public Archives, which permanently houses the historically valuable portion of these records, stands the Public Records Centre. Of the formidable mass of records created by departments, no more than five per cent will find their way to a permanent rest in the Public Archives. A records centre, as a half-way house, must store and service the dormant records until some final disposition can be made, either by transfer to the Archives or by destruction.

11 The Public Records Centre should continue to be the focal point of any records disposal programme. Since late 1955, the Records Centre has occupied a new, modern building specifically designed for the purpose, with about three and one-half acres of floor space and sixty-six miles of shelving for storage of records. Eight of the building's thirty-five storage areas are occupied by the National Library, and two by the Public Archives for records that cannot be accommodated at the Sussex Street site. As at September 1, 1961, 210,739 cubic feet were occupied—nearly all of the usable space.

12 In the near future, some space will be released as the Public Archives transfers its holdings to rented accommodation downtown; the present capacity will be increased

by about half with the addition of a new building now under construction at Tunney's Pasture, Ottawa; and when the National Library building is completed, further space will be released. Space will become critical at two periods in the future; the first, about two years hence, and the second, seven to eight years hence. A third building will become necessary, for it is anticipated that about twelve acres of storage space will eventually be required.

13 The total staff of the Public Records Centre numbers thirty-three. While adequate at the moment, the staff will have to be augmented if the activity of the Disposal Section increases as it should. The total costs for the Records Centre in 1960-61 are presented in Table 8.

14 The basic principle always to be borne in mind is that the Public Records Centre has custodial and not jurisdictional authority over the records in its keeping. Its stated functional objectives are threefold:

- To provide safe, economical storage and service for the dormant records of all federal government departments and agencies.
- To make provision for the security and retention of records of continuing value.
- To assist departments and agencies in the establishment and maintenance of sound records management procedures.

15 The Records Centre does provide safe storage; facilities for the fumigation and cleaning of records have been installed; special security storage has been provided to meet the particular requirements of departments, such as External Affairs and the Royal Canadian Mounted Police. It provides cheap storage and servicing of dormant government records—approximately \$1.00 a cubic foot for the fiscal year 1960-61. The Centre has made economies possible within departments, as indicated by the considerable

amount of storage equipment and space released through its activity (see Table 9).

16 While economy is an important justification for the existence of the Records Centre, there is another of equal importance—the retention of historically valuable material. The policies and practices of the Records Centre are established under these dual objectives.

17 The Accession Section of the Centre is responsible for the transfer of dormant departmental and agency records of continuing value, and for relieving the departments and agencies of dead records which either have historical value or are worthless and should be destroyed. All files are arbitrarily divided into two types—personnel and general—and processing procedures appropriate to each have been established.

18 Personnel files of all federal employees who either left the public service or transferred from one department to another at least three years previously, and who have not reached seventy years of age, have been integrated into a single system irrespective of department of origin. The system has proved efficient, and the inclusion of Armed Forces personnel records is now under active consideration.

19 A transfer of general files is usually initiated by the department concerned. Consultation between the department and the Records Centre ensures that the records are evaluated, arranged and described; the physical transfer is then completed by Centre personnel. The volume of accessions, however, is neither the sole nor the most meaningful measurement of use. A survey by the Records Management Committee in 1960 indicated that 30,920 cubic feet of records were transferred to the Records Centre in 1959. But of the fifty-two departments and agencies circularized, transfers were made by only twenty-five departments and agencies, and

Table 8—TOTAL COSTS OF PUBLIC RECORDS CENTRE, FISCAL YEAR 1960-61

Salaries.....		\$105,554.27
Travel.....		616.85
Equipment and forms.....		17,894.95*
Public Archives Records Centre boxes.....		6,250.00
Stationery, postage, telephone, petty cash, etc.....		1,172.00
Trucks.....		1,839.12
Truck maintenance.....		1,125.02
Building maintenance.....	\$63,062.80	
Less $\frac{1}{3}$ for National Library and Microfilm Unit.....	21,020.93	
		42,041.87
Capital cost including shelving (amortized over 40 years).....	\$42,288.35	
Less $\frac{1}{4}$ for National Library and Microfilm Unit.....	10,572.08	
		31,716.27
Commissionnaires.....	\$14,155.03	
Less $\frac{1}{3}$ for National Library and Microfilm Unit.....	4,718.34	
		9,436.69
Total cost.....		\$217,647.04
Man-years expended.....		27 $\frac{1}{2}$
Total holdings at March 31, 1961.....		190,649 cubic feet

*An exceptional cost—mostly incurred in processing of backlog of personnel files.

Table 9—EQUIPMENT AND SPACE RELEASED THROUGH THE ACTIVITY OF THE PUBLIC RECORDS CENTRE

	1956	1957	1958	1959	1960	Total
Transfer cases.....	3,107	7,501	3,273	3,013	3,235	20,189
Filing cabinets.....	1,254	1,833	2,290	2,070	2,982	10,429
Shelving (ft.).....	6,698	10,224	3,994	6,929	3,507	31,352
Other space released.....	157	201	219	482	1,059	2,118
Square-footage cleared.....	46,291	21,609	19,742	15,125	23,393	126,160

three accounted for more than half of the total transfer. A concise statement of the work of the Accessions Section appears in Tables 10 and 11.

20 The low and high volume of transfers for the year 1959 were:

Defence Production.....	10 cubic feet
Canadian Commercial Corporation	16 " "
Trade and Commerce.....	45 " "
Veterans Affairs.....	5,089 " "
Central Mortgage and Housing Corporation.....	5,273 " "
Comptroller of the Treasury.....	5,441 " "

21 Up to September, 1961, the Records Centre had received transfers from only thirty-six departments and agencies, and some of these are token transfers. This situation is attributable to departmental inertia, and a lack of understanding of the real function of the Centre. Departments cannot be compelled to transfer their records; the Centre can only demonstrate through service that transfer will relieve unnecessary and unwelcome burdens.

22 The particular functions of the Disposal

Table 10—ACCESSIONS SECTION — OPERATIONAL STATISTICS

	1956	1957	1958	1959	1960	Total
Number of transfers.....	66	74	122	97	130	489
General files (cu.ft.).....	53,471	29,007	31,242	34,410	39,408	187,538
Personnel files (cu.ft.).....	—	553	3,704	4,950	5,695	14,902
Total holding (less disposals) (cu.ft.).....	—	—	—	—	178,237	—

Table 11—ACCESSION LOAD — HIGH AND LOW PERIOD DISTRIBUTION*

Year	High		Low	
	Month	Cu. Ft.	Month	Cu. Ft.
1956	May	12,429	July	332
1957	Aug.	7,587	Oct.	160
1958	June	5,139	Nov.	278
1959	Feb.	8,476	Apr.	620
1960	Feb.	16,301	Apr.	600

*This table shows the unevenness of intake which does not arise solely from the departments, since time of acceptance may depend upon the ability of the Records Centre to cope with a transfer. It does suggest, however, that if greater control over time of transfer could be maintained a more efficient allocation of staff might be practicable.

and Scheduling Section, which is now in process of evolution, are threefold:

- To help departments schedule their current records systematically, transfer dormant records to the Records Centre, destroy worthless records, and transmit records of historical value to the Manuscript Division of the Public Archives.
- To arrange for the destruction of records which have neither historic value nor continuing value to the department creating the record. This applies both to records already transferred to the Centre and to records offered to the Centre by departments.
- To ensure the preservation of records which have either a continuing interest to the department or a future historical value to the Public Archives.

23 The procedures for personnel and general files have been carefully formulated. No records may be destroyed at the Records Centre without proper authority. Destruction may proceed if the department provides the Records Centre with a copy of its authority for destruction from the Treasury Board. The Records Centre will seek Treasury Board approval only with departmental consent. To keep departments informed about records transferred to the Records Centre, frequency of reference figures are kept and sent to the departments, often with the suggestion that consideration should be given to destruction. The economies resulting from disposal are of secondary importance, since the main objective is safeguarding valuable records. The prerequisite for an effective disposal operation at the Records Centre is the existence of proper departmental schedules and, as has already been pointed out, these still leave much to be desired. Table 12 summarizes the work of this Section.

24 While there does not appear to have been any promiscuous destruction of perma-

nent records, the evidence would seem to suggest that there has been too little destruction of useless records. The Public Records Centre has received custody of only a small proportion of the total records holdings of the government and it has disposed of only an equally small proportion. Departments, in 1958, disposed of 122,063 cubic feet in Ottawa, and 11,052 cubic feet of field records, for a combined total of 233,115 cubic feet. This volume was accounted for by thirty-five departments and agencies; one department contributed nearly one-third, and nearly sixty per cent was contributed by the three top disposing departments. The range of disposal is interesting:

Canadian Maritime Commission..	8 cubic feet		
Dominion Coal Board.....	20	"	"
Auditor General.....	85	"	"
Public Works			
Ottawa.....	25		
Field.....	112	137	" "
Chief Electoral Officer.....	13,728	"	"
Comptroller of Treasury			
Ottawa.....	8,349		
Field.....	15,599	23,948	" "
National Revenue, Taxation.....	35,860	"	"
Citizenship and Immigration			
Ottawa.....	1,151		
Field.....	74,800	75,951	" "

25 Service to the departments and agencies whose records are in the custody of the Records Centre is of prime importance; the justification for the existence of the Centre, from a departmental point of view, stands or falls by the quality of service. In consequence, policies and practices in the Records Centre generally revolve about the Reference Section's service in three areas:

- The loan of records to the originating department.
- The provision of facilities for research in the records by departmental representatives and by students (the latter only with the consent of the department).

- The search of records for information.

26 The reference function is impressive, both quantitatively and qualitatively. Ninety-five per cent of the Section's work is loaning and inter-filing additional departmental transfers. Records are maintained of files charged out to departments and, if a department wishes, a file can be restored to its own central registry and struck off the Records Centre. About ninety-eight per cent of the reference work is of departmental origin, and only two per cent from the general public. Operational statistics for this Section are reproduced in Table 13.

REGIONAL RECORDS CENTRES

27 Since more of the federal records are held in the field than in the Ottawa headquarters area, and since the preponderance of the field records tends to be centralized in a few cities, the applicability of Regional Records Centres merits consideration. The data acquired by the Records Management Survey Committee, to which previous reference has been made, are summarized in Tables 14, 15 and 16.

Two conclusions emerge from a scrutiny of the present situation:

- The wide disparity in the ratio of floor space for the storage of dormant records (in Montreal, .7 cubic feet to 1 square foot, and in Vancouver, 1.9 cubic feet to 1 square foot) suggests an immediate need for an examination of uneconomical use of floor space, and a close scrutiny of the cost of the present floor space compared to the cost of a regional records centre.
- A regional records centre becomes a viable working unit for a minimum staff of three if it holds 30,000 cubic feet of records, has annual accessions of 8,000 to 10,000 cubic feet, annual disposals of 4,000 to 8,000 cubic feet, and from 10,000 to 15,000 references a year.

28 On this basis, the establishment of regional centres would be warranted in Toronto and Montreal, assuming that peripheral areas are included; and consideration should be given to the possibility of similar establishments in Vancouver, Winnipeg, and in some central site in the Maritimes. Since service is a prime consideration, the site selection is

Table 12—DISPOSAL AND SCHEDULING SECTION—OPERATIONAL STATISTICS

	1956	1957	1958	1959	1960	Total
Number of transactions.....	3	24	16	15	32	90
General files (cu.ft.).....	240	7,425	4,640	5,790	3,141	21,244
Personnel files (cu.ft.).....	—	—	—	—	—	—

Table 13—REFERENCE SECTION—OPERATIONAL STATISTICS

	1956	1957	1958	1959	1960	Total
Requests.....	3,777	15,404	35,758	34,669	57,700	147,308
Research (hours).....	136	196	190	585½	827	1,934½
Inter-filing (items).....	1,421	7,838	63,715	63,710	55,571	192,255
Personnel files (items).....	—	4,765	79,234	101,600	96,300	281,899

Table 14—THE VOLUME OF PUBLIC RECORDS HELD IN OTTAWA AND IN FIELD AGENCIES, IN 1959 —
DISTRIBUTED BY TYPE OF RETENTION EQUIPMENT AND BY CATEGORIES OF RECORD (ACTIVE OR
DORMANT), WITH COSTS EXPRESSED IN THOUSANDS OF DOLLARS

	<i>Active</i>	<i>Dormant</i>	<i>Total</i>	<i>Cost (est.)</i>
				(\$000's)
1. FILING CABINET DRAWERS				
Ottawa.....	171,566	36,420	207,986	
Field.....	262,794	47,063	309,857	
Total.....	434,360	83,483	517,843	
Cost (est.).....				\$ 6,179
2. SHELVING (LINEAL FEET)				
Ottawa.....	180,931	314,445	495,376	
Field.....	267,129	367,412	634,541	
Total.....	448,060	681,857	1,129,917	
Cost (est.).....				\$ 1,581
3. TRANSFER CASES				
Ottawa.....	3,669	36,422	40,091	
Field.....	10,190	25,996	36,186	
Total.....	13,859	62,418	76,277	
Cost (est.).....				\$ 915
4. INDEX CABINETS (DRAWERS)				
Ottawa.....	53,385	5,072	58,457	
Field.....	106,282	34,359	140,641	
Total.....	159,667	39,431	199,098	
Cost (est.).....				\$ 1,046
			Equipment S/Total	\$ 9,721
5. PUNCHED CARDS				
Ottawa.....	39,268	18,224	57,492	
Field.....	68,683	32,108	100,791	
Total.....	107,951	50,332	158,283	

Table 14—THE VOLUME OF PUBLIC RECORDS HELD IN OTTAWA AND IN FIELD AGENCIES, IN 1959—
DISTRIBUTED BY TYPE OF RETENTION EQUIPMENT AND BY CATEGORIES OF RECORD (ACTIVE OR
DORMANT), WITH COSTS EXPRESSED IN THOUSANDS OF DOLLARS—Concluded

	<i>Active</i>	<i>Dormant</i>	<i>Total</i>	<i>Cost (est.)</i>
				(\$000's)
6. OCCUPIED SQ. FOOTAGE				
Ottawa.....	689,320	433,209	1,122,529	\$ 2,040
Field.....	1,101,710	255,441	1,357,151	\$ 2,678
Total.....	1,791,030	688,650	2,479,680	
Cost (est.).....	Sq. Footage S/Total			\$ 4,718
7. STAFF ESTABLISHMENT				
Ottawa.....	2,747	133	2,880	\$ 7,931
Field.....	9,243	189	9,432	\$19,817
Total.....	11,990	322	12,312	
Cost (est.).....	Staff Establishment S/Total			\$27,748
GRAND TOTAL (Est.)				\$42,187

Table 15—DATA FROM TABLE 14 EXPRESSED AS A PERCENTAGE

<i>Type of Equipment</i>	<i>Per Cent Outside Ottawa</i>			<i>Per Cent Dormant</i>		
	<i>Active</i>	<i>Dormant</i>	<i>Combined</i>	<i>Ottawa</i>	<i>Field</i>	<i>Combined</i>
Filing cabinet drawers.....	60.5	56.4	59.8	17.6	15.2	16.1
Shelving.....	59.6	53.9	56.2	63.5	57.9	60.3
Transfer cases.....	73.5	41.6	47.4	90.8	71.8	81.8
Index cabinets.....	66.6	87.1	70.6	8.7	24.4	19.8
Punch cards.....	63.6	63.8	63.7	31.7	31.9	31.8
Square footage.....	61.5	37.1	54.7	38.6	18.8	27.8
Staff establishment.....	77.1	58.7	76.6	4.6	2.0	2.6

Table 16—RECORDS HOLDINGS AND SPACE REQUIREMENTS IN THE FIELD—EXPRESSED IN THOUSANDS

	Volume of Records (cu. ft.)			Floor Space (sq.ft.)		
	Active	Dormant	Total	Active	Dormant	Total
Toronto.....	94	56	150	151	40	191
Other Ontario.....	129	102	231	185	75	260
S./T. Ontario.....	223	158	381	336	115	451
Montreal.....	65	27	92	116	38	154
Other Quebec.....	62	66	128	77	18	95
S./T. Quebec.....	127	93	220	193	56	249
B.C.....	108	71	179	135	37	172
N.S.....	82	72	154	76	40	116
Manitoba.....	77	43	120	102	27	129
Total.....	617	437	1,054	842*	275*	1,117*
National Total—Field Offices.....				1,101*	255*	1,356*

*Data are not available to reconcile the discrepancy between these two figures.

important, as are any projected plans for decentralization of other federal government operations.

GENERAL CONCLUSIONS

29 The goal to be achieved is the maximum economy in the flow of records from the department or agency of origin through the Public Records Centre to the Public Archives, with proper screening along the way to ensure the elimination of useless records and the retention of all valuable historical records. These two latter considerations must be given simultaneous and equal significance. To protect the Public Records Centre from a deluge of useless material, destruction must be authorized by departments. The function of a records centre is primarily custodial; it is the archivist who should select the material for permanent retention and, in consultation

with departments, determine the extent of public access to the records.

30 In this process of selective disposal, the responsibility of the Public Archives must be paramount. It is fundamentally an archival and not a managerial responsibility, and has to be effectual at all points in the process. Departmental schedules should be scrutinized by the Public Archives, with the right of examination of the records preserved. All requests for permission to destroy records should be approved by the Public Archives and its decisions should prevail.

31 No records should be destroyed at any point within a plan without due authority. At present, that authority is vested in the Treasury Board acting on the recommendation of the Public Records Committee. Pre-supposing the establishment of a sound rec-

ords disposal programme based upon statute, with provision for the promulgation of standards by senior authority and the existence of competent staff, it would appear to be more consistent to allocate to the Dominion Archivist the authorization for records destruction.

32 In this connection, the question of mandatory transfer arises. In Canada, the Dominion Archivist has a statutory power to commandeer public records, which has never been invoked. In general, a policy of friendly persuasion and informal agreement has been followed. The Public Records Centre, through its Disposal Section, has already demonstrated its ability to render service to departments. As departmental records scheduling programmes improve, the voluntary transfer approach can work quite satisfactorily.

33 A consideration often stressed by departments in resisting transfer of records is the alleged loss of control over determining the right of public access. This departmental reservation is unfounded, because the Public Archives and the Records Centre can safeguard the right of access as effectively as any department. The aim should be to secure the most rapid transfer consonant with the inherent character of the records transferred. No general prescription to cover the right of access can be satisfactory; a flexible policy, devised by the Public Archives in close consultation with the department and based on mutual appreciation of the desired objectives, is the preferred solution.

34 A complicated problem in records scheduling and disposal arises with the downgrading of the security classification placed on records. Departmental management should be responsible for making the essential decisions; nevertheless, it is a time-consuming and costly procedure for departments to deal with each individual record or file. The introduction of two procedures might ame-

liorate the problem. First, at the time the record is created, a security rating should be assigned to it; the second and preferable solution is to automatically downgrade blocks of categories of records after a fixed number of years, with provision for review and segregation of privileged documents within these categories. There are substantial economies in downgrading records, for the moment this is done they can be housed in much cheaper storage space.

ARCHIVES

35 The archival holdings in Canada are concentrated in the Public Archives, although three other departments have historical sections with sufficiently similar functions to warrant special consideration.

THE PUBLIC ARCHIVES

36 The Public Archives of Canada had its origin in an Order in Council of 1872 appointing an officer of the Department of Agriculture to take charge of a "Public Archives", and a later Order of 1903 directing that public papers "be assembled in one place and put into the custody of one person". A Department of Public Archives was established by statute in 1912 and placed under the jurisdiction of the Secretary of State. In 1954, the Minister of Citizenship and Immigration became responsible for the Public Archives.

37 The Public Archives Act provides for the appointment of an officer called the Dominion Archivist (having the rank and salary of a Deputy Minister) who, under the direction of a Minister shall "have the care, custody and control of the Public Archives" and "oversee and direct all officers, clerks and employees appointed to assist him in the performance of his duties". The Public Archives consists of "all such public records, documents and other historical material of every kind, nature and description as, under the provisions of this Act, or under the authority

of an Order in Council made by virtue thereof, are placed under the care, custody and control of the Dominion Archivist". In addition, general provisions establish the procedures by which material may be acquired by the Public Archives.

38 The resources of the Archives are unusually rich and varied, and for the most part well-representative of the chronological, geographical, political, economic, social and cultural aspects of the nation. The services rendered by the Public Archives to departments of government, to serious research scholars and to the general enquirer alike, are usually generously acknowledged, and the institution merits the general approbation it receives. The materials contained in the Public Archives are not all strictly archival and some of the functions still performed are not normally associated with archives. Nevertheless, Canada is immeasurably the richer for the effort made to preserve our heritage, particularly during the period when no other appropriate national institutions were in existence.

39 The physical facilities offered by the present headquarters on Sussex Street (built in 1906 and extended in 1925) are now woefully inadequate; overcrowding is obvious and archival materials are now located in the Public Records Centre at Tunney's Pasture, and elsewhere in the city in rented storage space. This situation should not be unduly prolonged; the plans for the new joint home for the Public Archives and the National Library have been devised to meet the particular requirements of the two different, though compatible, institutions. The plans make provision not only for current needs, but also for anticipated expansion for some considerable time to come.

40 As of December 31, 1960, the actual strength was one hundred and six against an approved establishment of one hundred and fifteen. The allocation of people throughout

the various divisions in the Public Archives appears equitable, and the classifications enable the institution to perform effectively and efficiently.

41 There is no indication of overstaffing; the morale is good; and the staff merits commendation. There is evidence of planning of joint service undertakings; the accounting and personnel operations for both the National Library and the Public Archives have been integrated; the bindery service and the Central Microfilm Unit provide service to all government departments and agencies at cost.

42 The Public Archives is now, in contrast with even a decade ago, receiving financial support commensurate with its status and responsibilities as a national institution (see Table 17). Salaries constitute the major expenditure. The funds spent on the acquisition of historical material may appear small, but much of the material is acquired by transfer from government departments and from private individuals.

43 The significant services of the Public Archives are provided by four divisions: the Library, Manuscript, Picture, and Publication Divisions.

Table 17—EXPENDITURES ON THE PUBLIC ARCHIVES
BY FISCAL YEARS

<i>Year</i>	<i>Expenditures</i>
1938-39.....	\$158,697
1943-44.....	123,335
1953-54.....	264,264
1954-55.....	286,702
1955-56.....	334,450
1956-57.....	407,904
1957-58.....	477,408
1958-59.....	524,087
1959-60.....	533,262
1960-61 (forecast).....	598,752
1961-62 (estimate).....	716,268

Library Division

44 Research scholars have always been grateful for the ease of access, to both manuscripts and books, provided by the close proximity of the Library and Manuscript Divisions of the Public Archives. It can be argued that this collection of books is not truly archival, and with the development of the National Library a careful re-examination of this function has been made. Nevertheless, our historical resources are the richer for the activity of the Public Archives in collecting Canadiana long before the National Library was established.

45 Taking Canadian history and geography as its field of interest, with related British, French and American material, the Library Division has, over the years, accumulated a significant collection of printed sources. There are approximately seventy thousand books (annual accessions, two hundred to five hundred a year); ten thousand pamphlets and five thousand uncatalogued ephemera; a very good collection of federal government documents from an early date to the present, and a good collection of provincial government documents in their earlier years; an intensive collection of periodicals (eighty titles by purchase, and three hundred and twenty titles by gift and exchange); and an excellent collection of historically significant newspapers. Now seriously short of space, the Library Division is about to be relocated to more commodious quarters.

46 This Division will lose its identity when it is absorbed into the National Library. The strong emphasis on Canadiana in the acquisition policy of the National Library will undoubtedly provide a more complete coverage and, conversely, the collection in the Division will considerably enrich the holdings of the National Library. The result will be a strong Canadian history section within the National Library.

47 The newspaper holdings of the Library Division constitute an invaluable historical asset. The titles are widely distributed by chronology, geography, and language, many are old and obscure, and the runs are of varying length and completeness. Excellent finding aids are now being edited as collation proceeds. In addition to its own holdings, some twenty titles have been transferred from the Library of Parliament, integrated into the archival holdings, and the duplicates discarded. The holdings are scattered over three locations.

48 The two other main depositories of general newspapers are the Library of Parliament and the National Library. The former has the largest and most significant holding of historic and current titles, now dispersed through three storage areas. The source of supply for the Library of Parliament is the Parliamentary Reading Room, which subscribes to no less than seven hundred and sixty-one titles; approximately ten per cent are selected for permanent retention, about equally distributed between Canadian and non-Canadian titles, and between French and English languages. Few weeklies are retained; the assumption is that comparable provincial government agencies are retaining this type. The National Library has a smaller, though rapidly expanding collection, including some significant non-Canadian titles.

49 In addition to general newspapers, there is a variety of holdings of special-interest newspapers. These include:

- Ethnic newspapers — now being retained by the National Library on transfer from the Foreign Language Press Section of the Department of Citizenship and Immigration, and from the Royal Canadian Mounted Police.
- Labour newspapers — the library of the Department of Labour has assumed responsibility for collecting and retaining on microfilm only.

- Farm newspapers—the library of the Department of Agriculture has assumed responsibility for collecting.
- Military newspapers—the library of the Department of National Defence is the most active collector, working in close co-operation with the Public Archives.
- Foreign newspapers—responsibility is divided and at the moment only a few, though significant, non-Canadian titles are being retained.

50 There is every advantage in concentrating the newspaper resources of the federal government in a single agency. Already departments are transferring material to the Public Archives to be held until space is available in the projected National Library, and the Library of Parliament has indicated, by policy and practice, its willingness to co-operate, provided that its particular needs are safeguarded. However, before policy for the National Library has been firmly established, the responsibility of provincial government agencies for preserving weekly newspapers should be assessed. Policies for the preservation of special-interest and foreign newspapers also deserve careful examination to prevent unnecessary duplication.

51 Since newspapers are bulky to store and newsprint is subject to deterioration, the applicability of microfilming is pertinent. In this form it is possible to acquire titles hitherto unavailable and to maintain continuations of current titles, since many newspapers are now available in microfilm edition. Economies in bindery and storage costs can thereby be effected, and a wider range of titles secured without an undue rise in costs. Disagreement still exists as to whether or not a physical file of a newspaper should be retained, even though microfilmed, and users still resist microfilm.

52 The microfilming project of the Canadian Library Association was assisted initially by

a grant from the Rockefeller Foundation, and latterly by the Canada Council. Originally designed to film only historic newspapers, the project now includes historically significant newspapers; it has its own camera, housed in the Public Archives, and the technical work is excellent. Newspapers are collated, extensive searches for missing issues are undertaken, and a high degree of co-operation with libraries throughout Canada and the United States has been secured. Positive prints are sold and the project is self-sustaining, a factor which necessarily influences decisions on the titles to be filmed. The final cost of a positive print may appear high, but not if due consideration is given to the research undertaken and the quality of the end product.

53 The Association is performing a national service which might otherwise be assigned to the National Library. Having in mind the innumerable demands for service facing the emerging National Library, it would be well for that institution to leave the field of newspaper microfilming to the Association, and to take the lead in filming periodicals and journals.

Map Division

54 The Map Division contains not only the finest Canadian collection of historical maps, but it also acquires current maps relating to Canada produced by federal and provincial government agencies and by private sources. As of December 31, 1960, there were 84,600 maps and plans catalogued and on file in the Public Archives, with at least as many more on storage at the Public Records Centre. The Division has worked out its own system of classification and grading of maps, which permits an equitable distribution of costs. Atlases are held in the Map Division and not in the Library Division.

55 The rate of accession varies considerably, for masses of maps may suddenly become

available by departmental transfer. Funds are available for the purchase of rare or early maps. Since maps vary greatly in size, condition and significance, all types of storage facilities are used. Some catalogues of holdings and annotated bibliographic monographs have been issued as a public service. The resources of this Division are well used by departments of government and research students, and there is also a substantial number of inquiries from the public.

56 While there can be no doubt that a map collection relating to Canada is an archival interest—for maps are but a particular type of record or document—there are possibilities of duplicating resources and services where other governmental agencies have similar interests.

57 The Reference Services Division of the Geographic Branch of the Department of Mines and Technical Surveys is authorized to “collect, organize and make available for immediate use” all appropriate material (including maps and atlases) relating to Canada and to foreign countries. Geography is interpreted in its broadest sense to include human, economic, social, political, as well as physical, aspects. The Division acquires privately produced maps and all maps produced by the Governments of Canada, the United Kingdom and the United States; it has also worked out effective exchange arrangements with many foreign countries. The monthly inflow varies between one thousand and two thousand, and approximately two hundred thousand maps have been classified and filed.

58 In addition to meeting intra-departmental reference requirements, other departments of government use its facilities (e.g., briefing personnel for External Affairs and Trade and Commerce), and there is some service to the general public, though usually related to technical aspects of cartography. Fundamentally, it is a collection of current maps, looking to the future rather than the past. Superseded

issues of foreign maps are not retained but, with the concurrence of the Minister, are listed and offered to Canadian universities. Previous issues of Canadian maps are retained for their evolutionary rather than their historical value. Although the collecting of maps by Public Archives and the Geographic Branch of Mines and Technical Surveys results in some overlapping, the division of responsibilities appears to keep the duplication within reasonable bounds. The collection in the Geographic Branch should, however, be regarded as a national asset; acquisition, retention and public service policies should be redefined in keeping with the status of the collection.

Manuscript Division

59 The Manuscript Division with eighteen thousand lineal feet as of 1961, is literally the treasure-house for Canadian historical research, although the statistics give no valid concept of the true worth. Two broad categories of materials are held: “records”, denoting governmental origin, and “manuscripts”, denoting private origin. The extensive holding of manuscripts lifts the Public Archives beyond the limitations of a Public Records Office, by contrast, for example, with the National Archives of the United States. Both categories, records and manuscripts, are held in their original physical form and on microfilm. The Division operates pre-Confederation and post-Confederation sections corresponding to the distribution of its holdings. Present holdings are summarized in Table 18.

60 In recent years, tremendous strides have been made in the acquisition of records and manuscripts. Acquisitions of manuscript in the post-1867 period, and more particularly in the post-1900 period, have been extensive but, for reasons noted elsewhere in this chapter, acquisitions of records in these periods have not been as extensive.

Table 18 — PUBLIC ARCHIVES, MANUSCRIPT DIVISION
HOLDINGS (BY LINEAL FEET)

	<i>Records</i>	<i>Manu- scripts</i>	<i>Totals</i>
Pre-Confederation			
Section.....	2,526	2,474	5,000
Post-Confederation			
Section.....	2,847	3,153	6,000
Old Manuscript			
Room.....	1,700*	—	1,700
Room 44.....	1,000*	—	1,000
Public Records			
Centre.....	1,500*	—	1,500
Totals.....	9,573	5,627	15,200

*Not broken down into pre- or post-Confederation and may include a slight proportion of manuscript category. Microfilm holdings not included.

61 The Manuscript Division has earned a good reputation for service; its facilities are made available twenty-four hours a day, seven days a week, to the great advantage of the research student. About ninety per cent of the inquiries by telephone or personal visit stem from the general public and ten per cent from departments. This proportion alters somewhat in time spent on inquiries (general public—seventy-five per cent, departmental—twenty-five per cent), for all serious requests are reviewed to determine depth of search involved. The basic premise is that the Division offers a reference, not a research, service; it makes available, but does not interpret, all pertinent data. There is every indication that departments of government find the services offered both useful and satisfactory, an opinion shared by the general public.

62 From time to time, suggestions have been made for extending the range of activities of the Manuscript Division. One field, that of business records, has already attracted the attention of the Division, although total hold-

ings are not voluminous. Business and industry have moved slowly in the field of organized record preservation, and a national institution, concerned with the economic history of the country, might properly assume the initiative in encouraging a more enterprising attack on this problem. Clearly, more funds and space will be required if the Division were to take on this task.

63 Another activity which has been suggested for the Manuscript Division is a programme of conserving sound recordings—the spoken as distinct from the written record. Modern techniques have made possible permanent retention of the spoken word and, as a consequence, a new form of “document” has now been created. The Canadian Broadcasting Corporation has transferred material and equipment to the Public Records Centre, leaving the Public Archives with the responsibility for establishing an acquisition policy. Clearly, this new form of documentation creates special problems, but the Public Archives should undertake the selection, for permanent retention, of the historically significant portions of sound recordings.

Picture Division

64 The holdings of the Picture Division include an extensive and valuable collection of paintings, prints and photographs. There are several hundred oil paintings, mostly portraits of historical persons, and well over a thousand water colours and drawings; many are used for display or decorative purposes throughout the building. The annual rate of accession varies, but normally is not large.

65 There are no facilities for restoration; the National Gallery is consulted but, because of limited facilities, commercial restorers are normally employed. There are many thousands of prints, including engravings, lithographs, etc. The photograph collection is enormous, in the hundreds of thousands; many of the glass plates and film negatives

are housed in the Public Records Centre. In many instances, no prints are available and only the negatives have been catalogued. For photographs in frequent demand, standardized four-inch by five-inch negatives have been prepared and are readily available for reproduction from the Photographic Section. A start has been made in preparing colour transparencies of some of the paintings, but this is a relatively costly undertaking. The annual rate of accession is heavy for, in addition to purchases, several government agencies (notably the National Film Board, and the Canadian Government Travel Bureau) make extensive transfers.

66 The Division has a little-used filmstrip collection for loan to the general public. Phonograph records, including war recordings, are also assigned to this Division, although they should be assigned more appropriately to the Manuscript Division. On average, four hundred prints a month are requested by the general public and government agencies, notably the National Film Board, the Historic Sites and Monuments Board of Canada and, to a lesser extent, the Canadian Broadcasting Corporation. Copyright regulations are scrupulously followed; when doubt arises, interpretations are sought from the Copyright Office.

67 The nature of the holdings in this Division creates a potential conflict of interest with other national institutions. A painting, and to a lesser degree a print or a photograph, may at one and the same time be an art form (hence of possible interest to a museum) or by virtue of its content a record (hence of possible interest to an archive). The National Gallery has established artistic merit as its basic criterion for acquisition. Its primary concern is quality, and it may properly ignore such subsidiary elements as content, origin or derivation of peculiar Canadian significance. But there are paintings for which these subsidiary elements become legitimately the criteria for acquisition,

although not the responsibility of the National Gallery. The area of conflict arises when both standards of acceptance are met by the same painting. However, the actual custody is relatively unimportant, providing there is considerable flexibility in inter-institution lending policies. This should be the aim and practice of the Public Archives, the National Gallery and the National Museum.

68 The new building for the National Library and the Public Archives is designed to provide limited, though adequate, display areas and facilities. It does not, and quite properly should not, have gallery facilities. However, attention has often been drawn to the need for a National Portrait Gallery and a Gallery of Canadian Historical Paintings; the nucleus of both collections already exists. Admittedly, this function would appear to fall more appropriately within the orbit of an art gallery rather than a museum, but it is difficult to draw precise lines of demarcation.

69 In the design of permanent quarters for the National Gallery, and for the Canadian Historical Museum, the feasibility of including either or both of these two particular-interest collections should be carefully examined; otherwise, plans should be made for the erection of suitable accommodation.

70 Consideration should be given to the role of the Picture Division in the collection and preservation of films, which are records of events of national historic significance in a particular form. In Great Britain, the National Film Library is maintained by a non-governmental agency, the British Film Institute, which receives substantial state aid in compensation for the national service rendered. The Royal Commission on Arts, Letters and Science assigned this task to the National Film Board, but little progress has been made to date, and the passing of time merely compounds the need. It has been estimated that forty thousand dollars annually

for a period of a few years would make a real impression on this problem.

71 Films are of archival interest, and indeed those produced by the National Film Board are government records. It would be folly for the Public Archives to duplicate the technical skills and facilities available within the National Film Board, but the time would now seem opportune for the Public Archives to take the lead in establishing a working arrangement with the National Film Board whereby the film resources of the country would be properly safeguarded.

Publications Division

72 In former years, the Public Archives engaged in an extensive publication programme, including a voluminous annual report, calendars of documents, reproduction of constitutional and other documents, and special bibliographic studies. Many of these publications were costly and had a limited sale. More recently the programme has been restricted to the printing of a slighter, but adequate, annual report, and of inventories and finding aids. The change is commendable, particularly the abandonment of the calendars; the inventories, which are a great boon to scholarly research, should be continued and expanded.

73 It would now appear opportune to expand the programme to include the publication of significant series of valuable records and manuscripts, with which the institution is so well endowed. It should not be the function of the Public Archives to publish scholarly monographs. There are other agencies in Canada both willing and able to assist in the publication of the results of scholarly research which cannot be financed entirely as commercial ventures; but the Public Archives has a national responsibility to produce carefully selected and competently edited documentary source materials.

London and Paris Offices

74 For some time the London and Paris offices of the Archives have been microfilming significant British and French records relating to Canada and, in consequence, the resources of the Public Archives have been greatly strengthened. The microfilming camera in the London office is owned by the Canadian Government, but in Paris, in keeping with French regulations, filming is contracted out. Personnel are engaged locally. At the outset, both offices filmed large volumes of records of governmental origin; now, the filming is more selective. The criteria have been carefully worked out by the Dominion Archivist, who keeps the programme under close scrutiny. In London, particularly valuable non-governmental records have been filmed, a notable example being the records of the Hudson's Bay Company, 1670-1870, which contain the history of Western Canada for two centuries. Not only has Canadian scholarship been enriched by this filming programme, but the Public Archives enjoys thereby an enviable world reputation. An invaluable national service is being rendered, which merits full support.

Museum Functions, including Laurier House

75 It is frequently claimed that a museum should concern itself with objects and an archives with records. This is obviously an over-simplification, for under particular circumstances a record may become an object. Nevertheless, the museum function of the Public Archives, defensible at one time because no alternative was available, is now open to question. The inappropriateness is recognized by the Public Archives itself; it has progressively reduced operations in this field, has not made plans to continue them in the new quarters, and is prepared to withdraw altogether, provided that the function is assumed by a more appropriate agency.

76 The Human History Branch of the Na-

tional Museum might have become that agency, but the recently authorized Canadian Historical Museum would appear to be better suited to assume this responsibility. The specialized numismatic collection within the Public Archives and the philatelic collection of the Post Office should ultimately become the responsibility of the Canadian Historical Museum.

77 Laurier House was bequeathed to the nation by the late Right Honourable W. L. Mackenzie King and placed by statute under the control of the Dominion Archivist. The terms of Mr. King's will were permissive, not prescriptive:—"The residence might appropriately, I think, be given an immediate association with the Public Archives of Canada". Mr. King was also concerned with the inadequate accommodation for scholars at the Public Archives and the Library of Parliament. The new building planned for the National Library and the Public Archives will meet this need to a large measure, and responsibility for the administration of Laurier House might well be transferred to some more appropriate agency of government (e.g., Historic Sites Division, within the Department of Northern Affairs and National Resources), once the pertinent contents of the House have been transferred to the Public Archives and the National Library.

Administration Division

78 The Administration Division provides personnel and accounting services to the National Library and the Public Archives, as well as bindery, photographic and microfilming services. Since April 1, 1956, microfilming has been administered on a revolving fund basis, providing service to all government departments and agencies at cost. This arrangement tends to control microfilming throughout the government and makes possible the optimum use of equipment. The bindery exists to meet the particular requirements of the institution—special bindings for

rare and outsized items, repairing books and documents, laminating, map-backing, etc. The Photographic Section not only provides prints, photostats and microfilms for the general public, but also meets internal requirements.

Interdepartmental Liaison

79 The resources of the Public Archives are naturally available to any department of government but, through the person of the Dominion Archivist, more precise and direct liaison is in effect through his membership of the following interdepartmental committees:

- Public Records Committee (the Dominion Archivist is Chairman)
- Historic Sites and Monuments Board
- Canadian Board on Geographical Names
- Awards Co-ordination Committee
- Historical Committee of the National Capital Commission
- Canadian Government Standards Bureau (the administrative officer is Co-chairman of the sub-committee on microfilming standards)
- Security Committee
- Suggestion Awards Committee
- Interdepartmental Committee on Publications (the National Librarian is Chairman)

DEPARTMENTAL HISTORICAL SECTIONS AND ARCHIVES

80 Activities similar to those ascribed to the Public Archives are performed by the Historical Sections of the Armed Forces, the Archives Sections of the Department of External Affairs, and the Indian Affairs Branch of the Department of Citizenship and Immigration.

Armed Forces Historical Sections

81 There is little similarity between the strength, function and effectiveness of the three Armed Forces' Historical Sections. It is interesting to note that the combined strength of their staff amounts to one-half of the total permanent staff of the Public Archives, exclusive of the Public Records Centre. Authorized positions are shown in Table 19.

Table 19—ESTABLISHMENTS OF ARMED FORCES’
HISTORICAL SECTIONS

	Mili- tary	Civilian	Total
Army.....	30	9	39
Navy.....	—	9	9
Air Force.....	3	1	4
Totals.....	33	19	52

82 The physical accommodation for the historic records of the Services varies greatly. The records of the Army Historical Section now occupy about 8,400 square feet of space. The Navy’s Historical Section occupies less space in Ottawa, but there is also a Naval Records Centre at Sydney, Nova Scotia, with 20,000 lineal feet of records dating back to the inception of the Royal Canadian Navy in 1910. The Air Force Historical Section occupies 2,000 square feet (sixty per cent devoted to records) in a temporary wooden building which lacks adequate fire and security protection.

83 In the main, the records relate to the operational activity of the three Services. The Air Force holds a considerable mass of its overseas operational records, for the most part unsorted and unorganized. The Army has a much larger volume of records covering World War II; those for World War I have been transferred to the Public Archives. A smaller volume of records is retained by the Navy, but the material in its records centre is unscheduled, and much of it might well be transferred to the Public Archives. The heads of all three Sections are consulted on the preparation of lists for disposal by their central registries, and have direct liaison with the Public Records Committee. All three face the problem of downgrading security records and little has been accomplished to date. In varying degrees, all three have sought to supplement official records from non-official sources.

There is a common feeling that certain types of records should be held permanently in the Sections.

84 The reference services of these Sections are confined to intra-service requests. Research is undertaken with the object of preparing thoroughly documented narrative histories of the war activity of the Armed Forces, as well as for specialized intra-service requirements, such as the preparation of specific studies for staff, and materials for staff officer training programmes.

85 It would appear that the Armed Forces’ Historical Sections have tended to assume functions beyond those required for provision of intra-service and interdepartmental reference and research. This is not to deny that certain services should be provided when specialized knowledge can be effectively employed. But they have tended to become subsidiary archives, an undesirable development. Admittedly, direct access to the records is of great convenience in the preparation of the narrative histories but, once those tasks have been completed, the Historical Sections should not seek permanently to retain records that should be integrated into the Public Archives.

Department of External Affairs

86 The Archives of the Department of External Affairs, together with the departmental library and a press clipping service, make up the Historical Division. Because of internal problems in the library, which is also responsible for seventy-nine sub-libraries in embassies and missions, about forty per cent of the time of the division head is spent in routine library administration, to the detriment of archival work.

87 The Division is responsible for retaining and organizing the material that has been committed to it, and for disposing of departmental records of no permanent value. This latter function has been largely inoperative.

88 There is a staff of four persons in the departmental Archives. The major activity has been the collection of policy papers and the inventory of particular sets of records. It is recognized in principle that the records of embassies and missions abroad should periodically be transferred to Ottawa, but little has been accomplished, except from London and Washington. Indeed there has been more success in disposing of embassy records, where shortage of space is a very real impellant, than in disposing of departmental records. The departmental Archives insist upon receiving lists of records for disposal from the embassies for submission to the Public Records Committee.

89 A few significant records have been transferred to the Public Archives, and some dormant records have been transferred to the Public Records Centre; the Department is satisfied with the service received. However, the great bulk of the Department's records remains in the East Block of the Parliament Buildings, either in the central registry or in the departmental Archives.

90 The service provided by the Archives in External Affairs is mainly intra-departmental. There is some interdepartmental activity, but the limited access granted to scholars has been subject to criticism. The access policy is under review, but is not easy to develop. The basic assumption that the public is entitled to know about foreign policy cannot be denied; but complications arise from the inherent secrecy surrounding many records, the fear that public access may adversely affect the candor of internal reporting by officers of the Department, and the general restriction on exposing records without the consent of other governments. In Great Britain, a fifty-year limitation on access is in effect, whereas in the United States, a considerably shorter period is permitted.

91 If more staff of better quality were available, the Historical Division would be

prepared to compile public historical studies and background papers. A few of the latter have already been produced, and some work has been done on a projected publication of a series of State Papers, but these activities are frequently interrupted by other departmental duties. There is interest in the history of the Department itself, as well as in the history of Canada's relations abroad.

92 In general, it can be stated that this departmental archives does not adequately serve the needs of either the department or the serious researcher.

Department of Citizenship and Immigration

93 The Indian Affairs Branch of the Department of Citizenship and Immigration operates an archives section with a staff of two, in close affiliation with the branch central registry, which is archival both as to resources and function in a peculiar sense. Books and government documents are intermingled with records, and many have to be laboriously analyzed for subject content, although not catalogued. Relations with the departmental library are strained.

94 The custodial role of the branch archives is particularly involved. While some very early records have been transferred to the Public Archives, almost all the records of the post-1880 period have yet to be transferred. A considerable volume of records has been transferred to the Public Records Centre, but it is difficult to determine the criteria for selection. Indeed, there is an uncomfortable impression that it is a matter of convenience only, a way of providing sadly needed storage space until the material can be recalled and integrated into the departmental archives. While there has been a concerted and successful effort to bring in records from the field, the departmental accommodation for records in Ottawa is both limited and dispersed.

95 Some historical publications have been prepared, and a great variety of indexes, finding aids, etc., have been made and are being maintained. There would appear to be a considerable volume of intra-branch reference service, but access by other departments or the general public is not encouraged. The objective of this branch archives leaves much to be desired; its function appears to be neither clearly defined nor well directed.

Conclusion

96 The performance of the departmental historical sections and archives does not com-

pare favourably with the work of the various Divisions of the Public Archives. Valueless papers clutter valuable space and equipment; important records are unsorted and unorganized, thereby inhibiting departmental access; and scholarly research is unnecessarily restricted. Departments require active libraries and registries to store material essential for current operations, but archival material should be transferred to the Public Archives where professional methods will be employed to catalogue and store, and where authorized access is relatively simple.

8

AUTOMATIC DATA PROCESSING

INTRODUCTION

1 Automatic Data Processing refers to the use of electronic data processing equipment, including digital computers used for scientific and engineering purposes, punched card equipment, punched paper tape equipment, character recognition and scanning equipment, and data transmission equipment.

2 The Commission's review centred on those data processing operations which account for over eighty per cent of the equipment costs. Twenty-three punched card installations were surveyed in thirteen large departments, as well as installations in two Crown corporations—the Canadian Wheat Board and the Canadian Broadcasting Corporation. The four existing electronic data processing installations were examined, and plans for four new computer systems reviewed. These cover all the electronic data processing operations, except those of Canadian National Railways and Trans-Canada Air Lines.

3 Reviews were made of the scientific and engineering computation needs of the Defence Research Board, the National Research Coun-

cil, the Research Branch of the Department of Agriculture, the Meteorological Branch of the Department of Transport, and the Department of Mines and Technical Surveys.

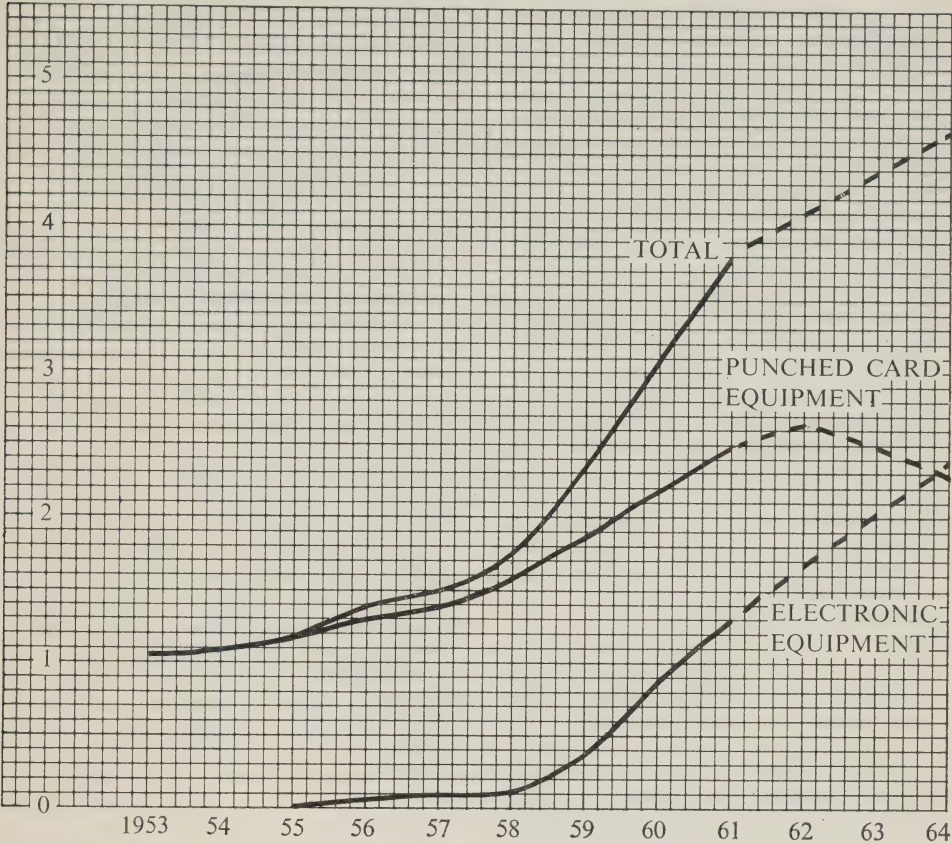
THE GROWTH OF AUTOMATION IN THE PUBLIC SERVICE

4 Automatic data processing in the public service has increased rapidly during the last nine years. The growing use of electronic data processing equipment by the government has not halted the steady increase in expenditures on punched card equipment, which is being increasingly used as an ancillary to electronic data processing systems. Comparative expenditures in terms of annual rentals of equipment show a three hundred and seventy-five per cent increase during this period (see Exhibit 4).

Punched Card Installations

5 As of March, 1961, there were forty-four punched card data processing installations, each comprising one or more tabulators supported by ancillary equipment, in eighteen government departments and agencies. Six

Exhibit 4—GROWTH OF AUTOMATIC DATA PROCESSING EQUIPMENT COSTS IN THE CIVIL SERVICE
(\$ Million) Fiscal Years Commencing April 1st



departments incur about eighty per cent of the total rental cost, and thirty-one of the installations are located in Ottawa and vicinity. In addition, there are thirty-four small groups of ancillary equipment located in nineteen cities or towns. Tables 20 and 21 identify the departments that have such installations and their physical location.

Electronic Data Processing Equipment

6 In April, 1957, the first government data processing computer was installed at No. 1 Army Pay Ledger Unit. This medium-sized IBM 650 system was designed to audit Army payroll and has also been used to a small

extent as a computer service centre for other departments and agencies. In July, 1959, the first large electronic data processing installation (IBM 705) was installed at Air Materiel Command, R.C.A.F., for an integrated stock control system. The Dominion Bureau of Statistics acquired a large IBM 705 computer to be used in compiling the 1961 Census of Canada, and to provide a government data processing service centre for departments and agencies not having their own computer. A small computer was installed to replace existing punched card equipment in the Department of Public Printing and Stationery. The Comptroller of the Treasury will soon install a large computer for use in the Central Pay

Table 20—PUNCHED CARD INSTALLATIONS—
BY DEPARTMENTS

Department or Agency	Number of Instal- lations	Instal- lations Visited
National Defence.....	17	9
Finance.....	7	4
Dominion Bureau of Statistics.....	1	1
Transport.....	2	2
National Revenue.....	3	
Agriculture.....	1	1
Unemployment Insurance Commission.....	1	1
Post Office.....	2	1
Public Printing and Stationery..	1	1
Labour.....	1	1
Civil Service Commission.....	1	1
Board of Grain Commissioners	1	1
Veterans Affairs.....	1	
Defence Production.....	1	
Mines and Technical Surveys....	1	
Northern Affairs and National Resources.....	1	
Citizenship and Immigration....	1	
Health and Welfare.....	1	
Total.....	44	23

Office and Cheque Adjustment Division, while the Taxation Division of the Department of National Revenue is planning a large-scale electronic data processing system to be used for Canada-wide processing of tax returns and related statistics. Two smaller computer systems are planned for the use of the Canadian Wheat Board and the Canadian Army respectively. The extent of electronic data processing in the public service is shown in Table 22.

Electronic Digital Computers

7 There has also been rapid growth in government use of computers for research and scientific work. By the end of March, 1959, four digital computers and ancillary equipment had been purchased at a total cost of \$390,000. Taking into account more recent

authorizations, there will soon be eleven computers in use for these purposes; seven purchased at a total cost of \$610,000, and four leased at an annual rental of \$407,000. Some analogue computers have also been acquired for special purposes. Present or planned installations appear in Table 23.

Table 21—PUNCHED CARD INSTALLATIONS—
BY LOCATION

Location of Installations	Com- plete	Partial
St. John's.....		1
Sydney.....		1
Halifax.....	1	4
Moncton.....	1	
Cornwallis.....		1
St. Andrews.....		1
Fredericton.....		2
Quebec.....		1
Montreal.....	1	1
Ottawa.....	31	8
Cobourg.....	1	
Toronto.....	3	2
London (Ontario).....	1	1
Shirley's Bay.....	1	
Sault Ste. Marie.....		1
Winnipeg.....	2	2
Regina.....		1
Edmonton.....	1	1
Calgary.....		1
Lacombe.....		1
Nanaimo.....		1
Victoria.....		3
Langar (England).....	1	
Total.....	44	34

NOTE:

1. In some instances, punched card data processing installations are used as satellites to electronic data processing systems.
2. Partial installations comprised from one to seven pieces of ancillary equipment but did not include a tabulator.

8 In addition, these departments and agencies and others, including the Fisheries Research Board and the Department of Forestry, buy time on computers outside the government service. Table 24 gives total expenditures on this account.

Table 22—ELECTRONIC DATA PROCESSING EQUIPMENT—INSTALLED OR PLANNED
(as of November, 1961)

Department or Agency	Equipment	Date of Installation	Cost (\$ Thousands)		Approximate Usage (Shifts)
			Purchase Price	Annual Rental	
EXISTING INSTALLATIONS					
ERRATUM					
On page 587 under the column headed "Department or Agency" in <i>Table 22</i> Dominion Bureau of Statistics and Public Printing and Stationery should be dropped down one line.		April, 1957	—	100	2
		July, 1959	1,890	—	3
		February, 1962	—	280	3
		August, 1960	1,960	—	2-3
		June, 1961	360	—	2-3
		October, 1961	—	54	1
APPROVED INSTALLATIONS					
Finance:					
Comptroller of the Treasury..	IBM 7070		—	—	—
	IBM 1401	April, 1962	—	319	1
Canadian Wheat Board.....	IBM 1410	October, 1962	—	200	1
INSTALLATIONS IN APPROVAL PROCESS					
National Revenue:					
Taxation Division.....	Large	—	—	500	1-2
National Defence:					
Directorate of Cataloguing and Equipment Requirements (Canadian Army).....	Small	—	—	100	1

NOTE: Data processing installations at Canadian National Railways and Trans-Canada Air Lines are not included.

OPERATING COSTS

9 Comprehensive annual salary costs and numbers of personnel engaged in data processing are not available, but indications are that a similar increase has occurred in this cost element. The changes in departmental establishments for Punched Card Equipment Operators and Punched Card Equipment Supervisors over the last six years give a sufficient indication of the trend.

10 In addition, at least 180 military personnel are engaged in administrative data processing who are not so classified; further, some clerks, typists, professional grades, and programmers who retain other classifications are actually engaged in automatic data processing work.

11 Substantial additional costs are incurred for accommodation and equipment; for example, expenditures for stationery and supplies include \$375,000 for punched cards alone. Although precise figures are not available, it is evident that, when all these and other hidden expenses are taken into account, the total present cost of automatic data processing in the public service exceeds \$10 million a year.

CONTROL PROCEDURES

Treasury Board

12 Treasury Board approval is required for the rental or purchase of automatic data processing equipment. In the past, each department or agency developed its own punched

Table 23—ELECTRONIC DIGITAL COMPUTERS—INSTALLED OR PLANNED
(as of November, 1961)

Department or Agency	Equipment	Cost (\$ Thousands)	
		Purchase Price	Annual Rental
EXISTING AND PLANNED INSTALLATIONS			
Defence Research Board:			
Suffield Experimental Station.....	Stantec Zebra and auxiliary equipment.....	\$ 73	
Pacific Naval Laboratory (for Medical Laboratory).....	McBee LPG-30 and auxiliary equipment.....	26	
Pacific Naval Laboratory.....	P.B. 250.....	103	
Naval Research Establishment.....	ALWAC III E and auxiliary equipment.....	160	
Canadian Armament Research and Development Establishment.....	ALWAC III E and auxiliary equipment.....	129	
National Research Council:			
Mechanical Engineering Division...	Bendix G15D and auxiliary equipment.....	68	
National Aeronautical Establishment.....	Bendix G15D.....	51	
Mathematical Analysis Group.....	IBM 1620.....		\$ 42
Transport:			
Meteorological Branch.....	Bendix G20.....		284
Mines and Technical Surveys.....	IBM 1620.....		39
INSTALLATIONS IN APPROVAL PROCESS			
Agriculture—Research Branch.....	Small.....		42
		\$610	\$407

NOTE: This excludes electronic computing facilities at Atomic Energy of Canada Limited.

card applications, installations, practices and standards. Submissions for new equipment were made to the Treasury Board, which approved expenditures for initial installations and for subsequent additions or modifications. Each case was considered by the Treasury Board staff on its individual merits; but the technical knowledge available was inadequate to examine submissions in depth or,

later, to check actual results against forecasts.

13 The practice of requiring all expenditures on electronic calculating and computing devices to be appraised by the Treasury Board dates from 1955. The Board, recognizing the need for assistance in the assessment of submissions and in securing properly

trained personnel to operate the electronic equipment, created the Interdepartmental Committee on Electronic Computers in March, 1955, as an advisory committee.

Table 24—EXPENDITURES AUTHORIZED ON
OUTSIDE COMPUTING FACILITIES

<i>Fiscal Year</i>	<i>Approximate Cost</i>
	\$
1958-59	70,000
1959-60	90,000
1960-61	250,000
1961-62	280,000
(up to November, 1961)	

NOTE:

These figures do not include contracts authorized for programming and mathematical services; in the fiscal year 1961-62 about \$250,000 has been approved for these items.

Table 25—SUMMARY OF PUNCHED CARD
EQUIPMENT OPERATORS AND
SUPERVISORS IN THE CIVIL SERVICE
(Source—Annual Estimates)

<i>Fiscal Year</i>	<i>Staff Establishment</i>	<i>Approximate Salary Cost</i>
		\$
1956-57	326	858,000
1957-58	622	1,768,000
1958-59	698	2,122,000
1959-60	768	2,249,000
1960-61	915	2,930,000
1961-62	1,005	3,432,000

*Interdepartmental Committee on
Electronic Computers*

14 Membership comprises eleven representatives of eight departments or agencies which are major users of electronic computers, both for data processing and scientific purposes. Significant exceptions are the Departments of Agriculture, National Revenue, and Trans-

port, all of which have large data processing installations.

15 The stated objectives of the Committee are to co-ordinate the selection and training of personnel, to give advice to the Treasury Board on proposals for installing computers, to advise departments on the application of computers, to eliminate duplication and overlap in departmental expenditures on training and programming courses, and to seek out areas for computer application.

16 The Committee has had limited success in achieving these objectives. The Treasury Board has been assisted in evaluating departmental submissions, and unjustifiable proposals for electronic data processing expenditures have been usefully deterred. The Committee has also encouraged greater use of available time on existing installations by other departments, and has applied pressure on the Civil Service Commission to issue class specifications for programmers.

17 Nonetheless, the Committee has not provided leadership and management guidance, or given adequate technical assistance to departments. No written guiding standards have been issued for the justification and use of computers. In November, 1961, only the draft outlines of criteria for the use of punched card equipment had been prepared. No formal reporting procedures have been set up to facilitate co-ordination of automatic data processing activities, and no attempt has been made to measure actual results against forecasts or to assess the impact on departments.

18 Furthermore, the Committee has not taken the initiative in promoting and developing comprehensive plans and policies for the introduction of automatic data processing. There has been no significant promotion of specific application by encouraging computer studies where management has been sometimes slow or reluctant to consider the possibilities. Little attention has been given

to systems integration and multiple use of data, or to providing central computer services on a much larger scale than at present.

19 Instead of co-ordinating, advising, and seeking out potential computer applications, the Committee has been mainly concerned with screening proposals for the acquisition of equipment or the purchase of computer time, and with applications for staff to attend computer courses. The initiative has been left wholly with departments.

Central Management Advisory Services

20 The Management Analysis Division of the Civil Service Commission has participated in studies to determine the feasibility of installing or utilizing automatic data processing equipment, sometimes at the request of departments but usually at the suggestion of the Interdepartmental Committee on Electronic Computers. These studies have ranged from generalized assessments of requirements, without mention of workloads, to thorough and detailed appraisals.

21 Unfortunately, the Division has not been staffed with an adequate number of technically qualified and capable specialists to enable it effectively to control or promote the use of automatic data processing equipment. In 1955, the Interdepartmental Committee on Electronic Computers recognized the need to appoint four technically qualified automatic data processing systems specialists to the Management Analysis Division. Nevertheless, electronic data processing has remained largely the responsibility of one man in the Division.

22 It is little wonder that some departments have expressed dissatisfaction with the services of the Management Analysis Division. Moreover, the Interdepartmental Committee has not always followed the Division's advice. For example, in its report (Assignment 501) on the Department of Public Printing

and Stationery, the Division concluded that there was no justification whatsoever for the use of an electronic computer and expressed doubts whether some of the proposed applications even justified mechanical punched card equipment. Notwithstanding these forceful opinions, a small electronic computer was approved and has now been installed.

Departmental Organization

23 Few departments have given full responsibility and authority to any one senior man to develop and implement a data processing programme. Most have attempted to progress in this field by forming a committee of interested parties or potential users within the department, to examine and make recommendations for the use and acquisition of computers.

24 In most cases, the membership does not include technically qualified people. Departmental committees have done little to foster interdepartmental applications or to encourage integration, and have often delayed, rather than advanced, the use of automatic data processing methods; they have performed a screening function but, perhaps by their very nature, have initiated very little.

25 Responsibility for data processing activity in the departments and agencies studied is placed at various levels in the organization, with no consistency. The relation of the planning function and the data processing operating function, to each other as well as to departmental management, is generally weak and poorly defined. The right climate for developing an integrated systems approach has not been created.

26 For example, at Air Materiel Command, R.C.A.F., no single group has power to cut across lines of authority in order to integrate paperwork and automatic data processing operations; the organization structure was not considered as a factor in the introduction

of an integrated stock control system. The Unemployment Insurance Commission has a large punched card centre in Winnipeg, established as a pilot operation, but has no local planning and development group; headquarters staff in Ottawa have been attempting to develop the system and, for this purpose, in a year travel expenses amounted to \$43,000.

THE NEED FOR CONTROL

27 The government should plan, coordinate and control its automatic data processing. Objectives and policies have not been defined, and the concept of integration has been barely recognized. Technical skills and experience have been insufficient to provide expert advice, and departments have been allowed to install equipment without proper regard to its utilization or the needs of others.

28 Competent technical advice on the planning and use of automatic data processing equipment is essential for both central and departmental management. The combined experience of the many user departments is impressive, but much of it has not been generally made available to others.

A PLAN FOR THE FUTURE

29 Your Commissioners have recommended the establishment of an Administrative Improvement Division to serve the Treasury Board and advise on administrative procedure throughout the public service. The Division should include a small full-time Automatic Data Processing Advisory group, consisting of from three to six senior people, to focus attention on the management aspects of automatic data processing systems. The group requires a high level of technical and administrative competence.

30 The responsibilities of this Automatic Data Processing Advisory group would be to assist in the development, co-ordination and

execution of the policies governing automatic data processing operations. No attempt should be made to discourage departmental initiative, but standard practices are needed to co-ordinate government activities, to provide guidance and assistance, and to eliminate duplication of effort. Formal recognition must be given to these standards, and a central management directive issued to all departments and agencies. Some aspects of the policies and standards to be formulated and controlled centrally are discussed more fully below.

Control Over Acquisition

31 The attention of the Treasury Board and its advisory bodies has focussed on the acquisition of equipment. Lacking other guidance, departments tend to rely on the advice of manufacturers; too little attention has been paid to factors other than the purchase price or rental cost of the equipment.

32 The term "feasibility study", as used in government, comprises the documentation by a department of its submission to the Treasury Board seeking approval for the installation or use of automatic data processing equipment; the study thus includes both establishment of need and development of specific application.

33 At present no guiding principles govern the administrative steps necessary or the criteria required for justification and utilization of automatic data processing equipment. The procedure for conducting feasibility studies has not been specified, and the elements of costs and savings to be considered in such studies have not been defined for departments.

34 For example, Air Materiel Command, in its request for a computer, contended simply that a computer was needed to do a better job for a modern air force. To justify a computer at the Dominion Bureau of Sta-

tistics, an unrealistic estimate of income from "selling" computer time to other departments was included. The computer proposal submitted by the Comptroller of the Treasury showed savings based on a ten-year amortization of the purchase price of the equipment, although the actual intention was to rent the equipment for two years with an option to purchase. Furthermore, in this case, estimated annual savings of \$240,000 might have been achieved through better forms design, better work distribution, and other means, without resorting to a computer.

35 The procedures for conducting feasibility studies for punched card equipment are even more inconsistent. There is limited pre-planning, and economic justification is rarely properly established. The need for some guiding principles and expert knowledge in conducting feasibility studies is obvious if objective appraisal is to be achieved.

Approval of Equipment Expenditures

36 Two basic rules should be adopted in assessing the economic justification for a computer installation. First, equipment rental costs should be used as the basis of comparison with the cost of existing systems; this minimizes the risk attached to miscalculation of savings or obsolescence factors. If the equipment cannot be justified on a rental basis, it is unlikely to be a sound economic proposition.

37 Second, the break-even point should be calculated to determine how long it will take to recover the cumulative costs of planning, installation, conversion, and operation of the computer. Normally, unless the break-even point occurs within about four or five years of installation, the acquisition of equipment for data processing should not be approved.

Procurement Practices

38 The question of whether to purchase or lease is too frequently confused with the

economic justification for automatic data processing equipment. Although equipment rental figures should be used for purposes of economic justification, this does not preclude the possibility that it might be better to purchase the equipment. This is a separate issue. Any decision to acquire automatic data processing equipment should always include consideration of the respective merits of purchase or lease, based on the applications and projected workloads.

39 It may not be practicable to establish a permanent policy in favour of either purchase or lease. As a general guide, the sooner the break-even on a rental basis is reached, the more attractive purchase becomes. Moreover, the choice will depend on three major factors: the availability of capital at any particular time, the type of equipment under consideration, and the planned applications. Each unit of an automatic data processing system will require individual consideration.

40 It has been Treasury Board policy that departments call for tenders to determine which manufacturers should supply the equipment. In principle, this is a desirable practice for a public organization buying in a strongly competitive market, but the policy has not been strictly applied. For example, the Department of Public Printing and Stationery, when replacing existing punched card equipment with a computer, gave no manufacturer other than the supplier of their punched card equipment an opportunity to make specific proposals. In other instances, such as the Taxation Division of the Department of National Revenue, the policy has resulted in delays and frustrations. Considerations other than price are also significant; technical support and assistance, maintenance service, reserve or back-up equipment, staff training facilities, and compatibility with existing equipment are important factors to be evaluated.

41 To ensure that the principle of tendering

is properly applied, the central Automatic Data Processing Advisory group should establish standard procedures and participate in the tendering process by controlling the issue of specifications by departments, and by helping in the subsequent appraisal of tenders. Invitations to suppliers to submit systems proposals and tenders for automatic data processing equipment should include a full job specification and instructions as to the information required. Manufacturers should be required to indicate the guarantees they offer against failure to meet specified delivery dates and against failure of the equipment to meet specified performance. Further, the tender should specify the training facilities available, the extent of assistance to be provided in programming and testing, and the maintenance to be provided, including the use of reserve equipment in the case of major breakdown. Evaluation and selection of equipment should not depend solely on price, though departments should be required to substantiate the reasons for rejection of unsuccessful tenders.

MANAGEMENT OF AUTOMATIC DATA PROCESSING OPERATIONS

42 Control over the use of automatic data processing equipment is a departmental responsibility. The present central control bodies exercise only a limited co-ordinating function, although they maintain close control over any further expenditure commitments. Management of interdepartmental operations, which will become increasingly important, is virtually non-existent.

43 The degree and effectiveness of pre-installation planning has varied considerably between departments. The predominant failing has been the absence of co-ordination with the systems groups of the department during the pre-installation stage. Moreover, little thought has been given to the organizational and administrative impact of a decision to use automatic data processing equipment. All

too often departments are faced with unrealistic time schedules; a sometimes unwarranted sense of urgency induces planning by availability of equipment rather than by the state of preparedness for installation.

44 The importance of this phase, which can significantly affect the success or failure of a computer installation, is not properly recognized in government. Standards should be developed and issued, and the Automatic Data Processing Advisory group should provide all necessary guidance and technical assistance to ensure that departments are adequately prepared for the impact of a planned installation, and particularly to discourage unrealistic time schedules.

PERSONNEL PROBLEMS

45 Notice was taken of personnel problems arising from the introduction of automatic data processing equipment. Wide variations exist in the approach to selection, training and grading of programmers and systems staff, and in the general re-orientation of departmental staff. Although the government has been using computer systems since 1957, it has been slow to adapt to the special requirements of this new technique. The results have been ineffective use of manpower with limited skills, some loss of trained personnel to industry, untimely transfers among departments, and an inability to attract sufficient staff of the right calibre to develop automatic data processing vigorously.

46 The Interdepartmental Committee on Electronic Computers has been given a co-ordinating function with respect to the selection and training of personnel, but the Civil Service Commission retains over-all responsibility and has not succeeded in meeting the needs of the new technology. It has not recruited the electronic data processing specialists recommended by the Interdepartmental Committee in 1956, and a classification for

computer personnel was established only in October, 1961.

Recruitment

47 Departments have received no guidance in recruiting and selecting appropriate personnel, and too much reliance has been placed on academic qualifications and the use of aptitude tests. Careless use of aptitude tests results in large numbers being encouraged to take the tests and then, not being accepted for automatic data processing work, returning to their normal jobs discouraged. Over five hundred and fifty civil servants under the Comptroller of the Treasury were given an aptitude test, of whom only six were taken as programmers. The Taxation Division of the Department of National Revenue gave aptitude tests to more than seven hundred members of its staff; one hundred and fifteen passed satisfactorily, but it was planned to send only fifty for programming courses as part of the further selection procedure.

48 A general policy to guide departments in the recruitment and selection of personnel should be prepared. In particular, all selection panels for programmers, systems analysts, and mathematicians should include at least one person technically qualified in those particular fields, and the indiscriminate use of aptitude tests should be discouraged.

Training

49 Generally, operators have received good training. The more highly technical courses, such as programming, have usually been provided by manufacturers as part of the service offered with the equipment. The Interdepartmental Committee on Electronic Computers has been notably successful in co-ordinating requests for attendance at non-government training courses. Some departments have conducted good training courses as well as providing effective on-the-job training. There

have been few attempts to re-orient non-operational staff, and departments should constantly strive to improve training programmes.

50 A high staff turnover in data processing has been experienced by some departments. In the Dominion Bureau of Statistics there was a turnover of thirty per cent in a two-year period, and similar figures were quoted for military personnel. Data processing is not considered by most Armed Service Officers to afford a career, and the use of civilian machine operators at low organizational levels, with few promotion opportunities, is conducive to rapid turnover and related high training costs. In the Armed Forces, more consideration should be given to the recruitment and retention of civilian staff.

51 There was no evidence of planned rotation of automatic data processing personnel between departments, or between departments and central technical groups. For instance, the electronic data processing and logistics experience of Air Materiel Command is not being used by the Army, which is developing a similar data processing programme. Similarly, the experienced programmers of the Dominion Bureau of Statistics were not available to assist the Central Pay Office, which was located in a neighbouring building. As one means of making better use of existing skills, an effective long-term programme should be built around a plan for rotating departmental appointments so as to spread understanding of the function of automatic data processing.

52 The importance of maintaining good staff relations from the earliest stages of computer planning cannot be over-emphasized. Material on experience in industry and in the United States Government is available and should be used wherever suitable. Staff are naturally fearful of the possibility of large-scale redundancy, and ignorance of the facts adds to the fears.

Utilization and Operations

53 No standards have been developed to control equipment utilization, and there is no regular follow-up of departmental utilization or efficiency. It was not possible to compare subsequent results against initial estimates made in submissions to the Treasury Board, due to a lack of recorded cost information. Control over initial acquisition of equipment does not guarantee efficient use, and there is no surety that equipment is used for the purposes advanced to justify its installation.

54 Departmental planning of automatic data processing recognizes that, with the introduction of expensive computers, the use of shift-work will expand, particularly during peak periods. Shift-work should be recognized as a normal operating condition, but no general government policy or central guidance to departments has been formulated.

55 Contracts for rental or maintenance of equipment are generally based on a single shift of one hundred and seventy-six working hours a month, with provision for additional rental for second and third shifts. It is usually more economical to employ additional operators to work the second or third shift at a reduced rental than it is to acquire more equipment and keep staff on a normal working day.

56 Computer personnel in several government departments already accept shift-work as normal, but there is need for more understanding of the problems involved. Punched card equipment is rarely operated other than on a one-shift basis, although rental costs of the larger installations are high.

57 In this regard, utilization figures are often misleading; most statistics are based on the "normal" working hours rather than the total potential operating time. For example, the Royal Canadian Air Force proposed changes in equipment, estimating that only

one hundred and twenty-six hours of machine time are available monthly (i.e., twenty-one working days of six hours), although equipment rental contracts usually allow for one hundred and seventy-six hours of first-shift operation. Thus, plans are being made to expand equipment facilities, with consequent rental increases, when existing facilities are being used well below single-shift capacity.

58 The lack of such fundamental techniques as engineered work standards, utilization charts, procedural manuals, and other administrative tools, often detracts from good performance. Some managers of installations are not technically qualified or well versed in operating techniques and equipment functions.

59. Many of the automatic data processing installations surveyed were rated unsatisfactory from the viewpoint of space, location, layout and surroundings, although the large computer installations of the Dominion Bureau of Statistics and the Air Force are exceptions. Out of nineteen different installations, space utilization was considered to be good in only six instances and four were fair. Nine were classed as poor by standards normally met in industry.

60 Insufficient emphasis is placed on the design of forms serving as sources for automatic data processing. In most areas surveyed, forms design was rated from poor to adequate, with few consistently good cases. In many instances, not enough effort is made to create and maintain procedural write-ups of data processing applications and operations. At nine of the installations surveyed, procedure manuals were either poor or non-existent.

61 To rectify these many shortcomings, proper operating procedures should be established in accordance with guides to practice on which should be developed by the Automatic Data Processing Advisory group;

operating standards for space utilization, forms, directives and reports should also be applied.

Common Use of Equipment

62 Both the IBM 650 at No. 1 Army Pay Ledger Unit and the IBM 705 at the Dominion Bureau of Statistics are used by other departments requiring small amounts of machine time. Although the computer at the Dominion Bureau of Statistics is nominally the service centre of the government, the estimated requirements of other departments in 1962 and 1963 amount to only about three per cent of its capacity.

63 There has been no concerted attempt to provide, promote and control the use of large-scale computer facilities. Existing large computer installations are operating considerably below their effective capacity. Although substantial time is available at these facilities, extensive electronic data processing installations for the Central Pay Office and Taxation Division are in process of being planned. By the end of 1962, this will result in the following computing facilities being located in adjacent buildings at Tunney's Pasture, Ottawa (see Table 26).

Table 26 — PROJECTED COMPUTER FACILITIES

Installation	Computer	Number of Mag- netic Tape Units	Purchase Price
Dominion Bureau of Statistics.....	IBM 705	12	\$2,056,000
	IBM 1401	4	388,000
Central Pay Office....	IBM 7070	6	816,000
	IBM 1401	2	330,000
Taxation Division....	Large	16	1,700,000 (approx.)
Total purchase price.....			\$5,290,000

NOTE: Excludes all conversion equipment.

64 The new computers are expected to operate on the average for only one, or at the most, two shifts. The best estimates obtainable indicate computer utilization of approximately 7,500 hours in 1963, and 9,200 hours in 1964, for all the work of the three departments. The available time on two large machines operated as a central service would be approximately 12,500 hours each year. Thus, independent and unco-ordinated expansion of electronic data processing facilities may soon result in total idle capacity equivalent to one large-scale unit.

65 Your Commissioners have recommended the establishment of a common Automatic Data Processing Service. At present, the largest volume of requirements is in Ottawa, but there are other large concentrations in Montreal, Toronto, Winnipeg and elsewhere. Wherever possible, automatic data processing facilities should be pooled, under unified management, and made available to the public service as a whole. A practical approach would be to consider all new submissions for automatic data processing equipment in the light of a planned policy for central data processing. Central Pay Office and Taxation Division requirements could be combined into a single machine load, using shift-work; the Dominion Bureau of Statistics computer should also be drawn into the central system on completion of the main 1961 Census work.

66 There will be departmental objections to centralization, but under proper management this need not involve any loss of departmental control over functional responsibilities. Departments should retain responsibility for the development of systems and programmes, control of data preparation, and the form of presentation. The primary responsibility of the central Data Processing Service would be to schedule machine time to the best advantage in meeting departmental output requirements, and to obtain optimum utilization.

Charges for Computer Time

67 The present method of determining charges to departments for using shared government data processing facilities is influenced by the traditional method of writing off capital assets to current expenditures at the time of acquisition. This means that the charges calculated for time used on purchased computers comprise operating costs only, while those developed for leased computers comprise both operating costs and rental. Thus, departments would be charged \$30 an hour for the use of a rented IBM 650 and only \$36 an hour for a purchased IBM 705; the latter machine has at least twenty times more processing capacity, and a more appropriate hourly charge would be \$300. Charges for computer time based on current equipment rental and appropriate overhead costs should be used to justify all new applications for computer processing. Unrealistic rates are particularly dangerous when used to justify new applications, and the establishment of a common Data Processing Service would make appropriate action the more urgent.

PLANNING FOR AN INTEGRATED INFORMATION FLOW

68 One other consequence of leaving departments and agencies to develop their own data processing plans in isolation has been the absence of any concerted attempt to integrate the information needs of the government, both internally and externally. The multiple use of common information has not yet been explored; there has been no planned effort to use information captured in machine language by one department which might be significant to other departments. Even within departments this has received very little attention.

69 Many benefits could accrue to the government through the planned sharing of data, which is facilitated by the increasing use of the electronic digital computer. Many large business and industrial organizations have

benefitted by making the fullest use of machine-recorded data of common interest to various sections of the whole organization. The widely differing nature of government activities places some limit on the scope for integrated information flow, but the statistical and economic analysis fields are potentially challenging. The proposed Automatic Data Processing Advisory group, under the Treasury Board, would investigate existing sources of data within the government service, identify data useful to more than one department or agency as potential areas for integration, and prepare practical plans based on accumulated experience and knowledge in relation to the development of new equipment. This would be a continuing and co-ordinated study, with the object of achieving maximum integration in the multiple use of common data.

70 Because the cost of data transmission systems has been prohibitive to the majority of government users of automatic data processing, limited use has been made of this type of equipment. The Royal Canadian Air Force telecommunications system is being utilized by Air Materiel Command, while the Meteorological Service plans to install the equipment necessary for transmitting data to the proposed computer at Montreal. Increasing use will be made of data transmission systems by government agencies employing automatic data processing, although at present the needs of most departments and agencies have neither crystallized nor been defined. Departmental planning for the use of data transmission facilities will need to be co-ordinated on a government-wide basis if maximum benefits are to be achieved.

71 Communication between machines is essentially a matter of compatibility, and also requires a common language or system of coding. Compatibility of equipment is perhaps a temporary problem; computer manufacturers, realizing the advantages of standardization, are working towards greater inter-

changeability, and the development of a common data processing service should ensure that future government installations will be compatible. Your Commissioners have already drawn attention to the desirability of establishing a uniform code of identification numbers.

ELECTRONIC DIGITAL COMPUTERS FOR SCIENTIFIC AND ENGINEERING COMPUTATION

72 Special considerations apply to the acquisition and use of scientific computers. A computer used for scientific or engineering computations is an individual research instrument, providing the scientist or engineer with a device that extends his productivity. Simple computations can be done significantly faster than by other methods; mathematical problems can be solved which were previously economically insoluble.

73 The effective use of an electronic computer for scientific or engineering purposes calls for the employment of people with skill and experience in numerical analysis. Such people are in short supply, and the government is encountering difficulty in recruiting them. Few departments conduct research in numerical methods, and numerical analysts will not be attracted to the public service unless they are offered challenging careers.

74 The majority of scientific users prefer local computing facilities; a minority prefers to have access to a large-scale computer. Although the use of scientific computing facilities is increasing rapidly in the government service, the installation of a large-scale computer for government scientific and engineering work alone is not justified today. However, if a computer centre is established in Ottawa for data processing purposes, it could also serve many needs of scientists and engineers, but there will be a continuing requirement for small local computing facilities.

CONCLUSIONS

75 The benefits to be derived from these recommendations for the management of automatic data processing in the public service lie largely in the future. Your Commissioners attach great importance to the establishment of an Automatic Data Processing Advisory group within the proposed Administrative Improvement Division of the Treasury Board. In summary, the duties of this group will be to:

- Develop and improve standard practices for all departments and agencies of the public service in the use of automatic data processing equipment.
- Assist the Personnel Division of the Treasury Board in planning personnel programmes designed to encourage the most satisfactory development and utilization of manpower for automatic data processing operations; this would include training courses, interdepartmental exchanges of personnel, pooling of experience, and similar related projects.
- Promote and co-ordinate plans to increase the compatibility of automatic data processing equipment and systems throughout the public service.
- Assess technological developments and their potential effect on government planning.
- Evaluate automatic data processing installations, as a continuing process, including summaries of expenditures on equipment and of actual utilization, as well as projected usage for succeeding years by each department and agency.
- Provide active assistance and guidance to departments on all aspects of planning and preparation for automatic data processing systems.
- Appraise and advise the Treasury Board

on all submissions for the acquisition or use of automatic data processing equipment; scientists with computer experience should be co-opted in appraising all submissions for new scientific computer applications.

- Establish uniform practices for justifying applications, measuring performance, and recording utilization statistics.
- Promote the concepts of integration, multiple use of data, and the use of central computer services.

9

OFFICE EQUIPMENT, FURNITURE AND SPACE

OFFICE EQUIPMENT

1 The government is a large user of adding machines, comptometers, accounting machines, calculators, duplicating machines, facsimile reproduction equipment, dictating and transcribing machines, and typewriters. These, properly used, extend the productivity of the office worker and yield a substantial return on initial investment.

2 Investigation was initially concerned with the justification, procurement, maintenance and disposal of office equipment in general. Subsequently, information was obtained about the use of specific kinds of equipment; typewriters, dictating and transcribing equipment, accounting machines, and photocopy equipment were selected as items most frequently used in all offices. The survey concentrated on thirteen departments which employ eighty-five per cent of the clerical staff in the civil service, and covered selected field offices as well as departmental headquarters in Ottawa.

Equipment in Use

3 Inspection of office equipment showed an accumulation of old and obsolete items in

many departments. Some of this equipment is not used at all and takes up valuable office space; some is used seldom, or for short periods during the day. Obsolete and inefficient equipment is a source of waste and should be scrapped.

4 There is an excess of typewriters in practically all government departments. The Department of Agriculture, for instance, has an inventory of seven hundred and nine typewriters, one hundred and twenty of which are classified as spares and thirty-five as surplus.

5 Good business practice encourages the use of electric typewriters for the repetitive typing required in pool operation, but in the public service electric typewriters are considered to be luxury or "status" equipment and are rarely used for high-volume mass typing or other suitable operations. A notable exception is the Immigration Branch in Ottawa which uses forty-four electric typewriters and ten manual machines in its transcribing pool, the latter being stand-by or special purpose machines. By contrast, in the Customs and Excise offices in Ottawa there are three hundred and eight typewriters, including one hundred and three used in seven

transcribing pools; without exception, the typewriters used in the pools are manual machines. The present policy covering the use of electric typewriters should be revised to allow their extended use under acceptable conditions.

6 Some departments, such as the Post Office and the Immigration Branch, make effective use of transcribing pools, but there is much room for improvement in others. Existing dictating and transcribing machines are not being fully utilized; some, such as wax cylinder dictating machines, are practically never used at all. Improvements in correspondence practices should be supported by providing suitable equipment, and by training staff in its proper use.

7 Little has been done to bring together into central pools the calculators, adding machines, and other accounting aids scattered throughout separate offices; a notable exception is the Economics Branch of the Department of Agriculture, which has benefited substantially from a pooling operation. By this means, work can be assigned to skilled operators using a minimal number of modern machines best suited to the work.

8 There are many instances of inappropriate machines being used at greater cost than necessary. For example, in the Toronto regional office of the Unemployment Insurance Commission, clerks are using adding machines to prepare summaries of statistical forms; comptometer operators could produce the same results much more economically. The Northern Canada Power Commission has two large accounting machines; the work could be done more efficiently by other methods using simpler equipment. There are accounting machines in the Sales and Excise Tax branches of the Department of National Revenue, which cost \$75,000, where the work could be better done manually.

9 Except for a limited amount of dupli-

cating equipment in individual departments for the purpose of reproducing internal forms, memoranda, or classified and high-priority documents, most reproduction for government departments has been taken over by the Queen's Printer. One exception is that the Department of Agriculture maintains a complete duplicating section. All departments availing themselves of the reproduction services provided by the Queen's Printer praise the quality of the work and the excellence of the service. This satisfactory arrangement should be maintained, but departments should be allowed to control reproduction equipment which is tied closely to local systems or operations.

10 Several installations of photocopy equipment were examined, comprising several makes and types, and all appeared to be well run. Problems arise in relation to the location of equipment, the comparative operating costs of centralized and decentralized equipment, the costs of messenger delivery, and service. For example, very few typing pools have photocopy equipment which can be used to reproduce copies of material required in small quantities. Such equipment should be available, as well as provision for a central photocopy service where copies can be more economically reproduced in volume on electrostatic equipment.

11 With some notable exceptions, departmental personnel have insufficient knowledge to evaluate the various types of equipment that are available, or to determine where and how equipment can be used to advantage in operations. Only the Canadian Broadcasting Corporation has a manual of standards for managing small office equipment, backed up by an evaluation programme. Inadequate knowledge, improper use and ineffective management control can be overcome by preparing and disseminating standards and guides, by training, and by placing responsibility on departments. Standardization of

equipment within departments should be a major objective.

12 An Office Standards Manual should be produced for the general use of all who are concerned with recommending, approving and procuring office equipment. The Manual should be constantly revised on the basis of a testing and evaluation programme for existing and new office machines and equipment.

Determination and Approval of Requirements

13 Acquisition of office equipment is often a tortuous procedure. In addition to specific justification within the department, usually at several levels, most items must also be approved individually by the Queen's Printer. For some specialties, such as electric typewriters or photocopy equipment, detailed investigations are conducted by a representative of the Queen's Printer before the request goes ultimately to the Treasury Board, which may demand further information.

14 Budgets are not used as planning and control tools, but are usually bulk figures based upon past experience and possible future expectations rather than on a detailed estimate of needs. Stationery items and office supplies are included with equipment so that an over-estimate in one can be used to offset an under-estimate in another. When the resultant appropriation falls short of actual requirements, the work of the department suffers, while an excess may result in a last-minute scramble for the sole purpose of using up the appropriation before it lapses.

15 It is hard to say whether the irresponsible attitude of some departments and agencies is the cause or the result of meticulous control by the Treasury Board and the Queen's Printer. What is certain is that the control is ineffective. Your Commissioners believe that such common service agencies as the Department of Public Printing and Stationery should not be permitted to exercise

control, and that the users of office equipment should be held responsible for determining their requirements.

Procurement

16 The paperwork and red tape involved in the present system of centralized procurement by the Department of Public Printing and Stationery is formidable. There are many departmental forms for requisitioning, and the correspondence between requesting departments and the approving and procurement agencies is costly and time-consuming. Long delays and substitutions are accepted as normal. To quote one example, the Royal Canadian Navy asked for two dictaphones and one transcriber on February 2, 1959; on April 24, 1961, two dictators and transcribers of a different make were delivered, and accepted under protest, after thirty-eight communications had been exchanged.

17 Substitutions are not always reported in advance to the user and often fail to meet requirements. As an instance, the Taxation Division of the Department of National Revenue, having to replace five condemned electric typewriters used for a special purpose, tested several makes and asked for a particular model; machines of another type were delivered and proved incapable of doing the job, despite conscientious attempts at adjustment; there was no alternative but to continue using the condemned machines until models of the preferred make were delivered many months later.

18 It is evident that price rather than value is the predominant consideration in purchasing, and this results time and again in increased costs far in excess of the small saving in purchase price. Not enough attention is paid to the quality of the equipment and its suitability for the job to be done.

19 The government seeks to give office equipment manufacturers a fair share of business, but orders should not be spread around re-

ardless of whether the equipment offered is suitable or not. The requirements of the public service are so large in total as to permit a certain amount of standardization, at least within branches if not in departments, but this desirable objective seems to carry little weight when orders are being placed through the Queen's Printer.

20 In June, 1960, after extensive tests related to special requirements, the Food and Drug Directorate of National Health and Welfare requisitioned two recorders and ancillary equipment. Cheaper machines of much smaller capacity were delivered. To adapt them to requirements, additional equipment had to be obtained, bringing the total cost above that of the machines originally requested. Later, when further complementary equipment was needed, the Directorate decided to stay with the models substituted, in a commendable attempt to achieve standardization; the requisition was accordingly marked "NO SUBSTITUTIONS" but the order was again placed with a different supplier, who submitted the lowest tender. The equipment delivered four months later was incompatible with the Directorate's installation.

21 The volume of government office machine requirements is such that central procurement offers substantial advantages. But these advantages may prove illusory when the system causes unreasonable delays, or if value and utility are wholly subordinated to price considerations. The practice of calling for individual tenders for each equipment requisition in excess of \$1,000 is a costly delay factor. Consideration should be given to negotiating contracts with major suppliers of office equipment, providing for local delivery against requisitions from departments and agencies.

Control Recording

22 Practices for recording inventories of office equipment vary between departments.

The frequency of stocktaking ranges from once every two months to once every two years; most departments have an annual inventory check as prescribed in Treasury Board regulations. Departmental records usually show quantity of equipment by type and location; some include values, while others show surplus equipment and the condition of equipment.

23 To provide effective control over office equipment, only a perpetual inventory record of quantity need be maintained by each department. A physical inventory should be undertaken every two years to verify the perpetual inventory records. Easily pilfered items, such as cameras, should be placed under tighter inventory control and charged specifically to responsible individuals.

Maintenance

24 All maintenance of small office equipment is the responsibility of the Queen's Printer. Machine maintenance units are established in twelve well chosen centres across Canada; outside contractors are used elsewhere and for some maintenance of more complex equipment.

25 Departments do not regard the service as wholly satisfactory. There is often a delay of two to three days, but many offices have so much idle, stand-by, and surplus equipment that even longer delays cause no inconvenience.

26 The service on typewriters is rated as generally good, but there is much dissatisfaction with the maintenance of complex equipment. For example, over a period of nearly five years, No. 12 Regional Ordnance Depot, Halifax, recorded down-time percentages on three bookkeeping machines. Down-time increased appreciably after maintenance was taken over by the Queen's Printer.

27 Prevention is better than cure, but the

truth of this platitude is not recognized in the current policy which prohibits preventive maintenance contracts, even for the most complex office equipment. No estimate can be made of the resultant cost of breakdowns and lost time, but the policy should be reviewed.

28 All maintenance costs for office equipment are charged to the vote of the Queen's Printer, regardless of who does the work. Repair decisions involving over \$40 are made by the staff of the Queen's Printer in Ottawa for all government offices across Canada. The limit on departmental authority for outside repair expenditure is often evaded by requesting contractors to submit two or more small invoices. Accounts for local repairs outside Ottawa are checked and counter-checked five times before payment.

29 These arrangements have serious drawbacks. Departments and agencies, not being responsible for maintenance costs, are not cost-conscious, and many service calls are made for imaginary or trivial troubles that could be rectified by a properly trained operator. The Queen's Printer records maintenance costs but is not concerned with operating time or utilization of equipment, while users disregard maintenance as a factor in total operating costs. Maintenance costs, and all other operating costs arising from faulty equipment, should be evaluated in relation to all the other factors affecting the acquisition and use of office equipment.

30 The maintenance of office equipment should be a departmental responsibility, accompanied by the necessary authority to incur expenditure. Common service maintenance should be confined to equipment so commonly in use as to justify the employment of highly-qualified mechanics. The cost and quality of the service should be subjected to regular comparison with outside competition. Departments and agencies should be charged for these services, and should enjoy some dis-

cretion when service is unsatisfactory. Where outside contractors are used, maintenance accounts should be paid locally to eliminate paperwork. A continuing programme to train operators in the day-to-day care of their equipment will improve performance and help reduce maintenance costs.

Disposal

31 Surplus, spare and obsolete office equipment is abundant. The Queen's Printer services about fifty-five thousand typewriters—almost one for every clerical position in departments. The twenty per cent surplus in the Department of Agriculture is probably exceptional, but an estimate is that at least three thousand typewriters in the public service are surplus to requirements. In one storeroom, an addressograph machine was found with a tag showing that it had been delivered in 1953, but had never been taken out of the storeroom or used. Many items of equipment were found tucked away and almost forgotten. Frequently, surplus equipment is identical to equipment being purchased for other departments. For example, a systems change in the Air Materiel Command Supply Depot, Downsview, made forty Visirecord cabinets surplus immediately and one hundred later. New equipment of this nature has since been bought for the Department of National Health and Welfare.

32 The present trade-in policy has contributed significantly to the excess of typewriters. To trade in a machine, a department must apply for condemnation by the Queen's Printer and the application may be rejected; it is easier for a department with available funds to requisition a new machine. No standards have been established for condemnation in relation to high maintenance cost or obsolescence. As long as it is possible to procure parts and the equipment has not been damaged beyond repair, it is generally kept in service. As a result, departments have equipment that has, in many instances, exceeded

its economical life. In the Toronto office of the Unemployment Insurance Commission, seventy-five per cent of the typewriters are over fifteen years old. One-third of the seven hundred and nine typewriters in the Department of Agriculture are over fifteen years old. Age is not, of course, the sole criterion for replacement; wear and tear from heavy use or the development of more advanced equipment with additional or improved features are equally important.

33 A comprehensive detailed review should be undertaken and a tally made of all surplus equipment. Selected items should be retained in the departments to meet emergency needs and the rest removed. Lists of surplus equipment should be circulated to all departments periodically, based on departmental notifications of equipment that is surplus because of administrative or systems changes. This would minimize further accumulations and help to eliminate existing surpluses. A change in practice is desirable with respect to trade-ins and disposals.

Conclusion

34 Your Commissioners believe that the adoption of these proposals will lead to significant economies and substantially rectify existing conditions. Implementation, which will take several years, will be contingent on widespread training of office equipment operators and departmental systems groups, and should be a major concern of the proposed Administrative Improvement Division under the Treasury Board.

OFFICE FURNITURE

35 The Government of Canada is the largest purchaser and user of office furniture in the country. With some exceptions, responsibility for the management and control of furniture lies with the Department of Public Works.

36 A survey was made of fifteen departments and agencies employing about eighty per cent of the civil service, and included the headquarters in Ottawa and representative field offices. The review covered a sample of the vast quantities of office furniture and fixtures presently in use, and a number of offices, selected at random, were inspected to obtain a practical evaluation of present management practices.

Furniture in Use

37 Furniture is being reasonably well used in the public service, with some common exceptions. In too many cases desks are being used as stands for typewriters or other machines, or as wrapping tables, and some drafting tables as stands for reference material. In the Department of National Defence, double pedestal desks are in use where single pedestal desks would be more economical and practical.

38 Existing sources of information on the management of furniture are not used. An excellent "Manual of Office Layout", produced by the Civil Service Commission, is not widely used, and some departments do not know of its existence. The Public Works Department issues a furniture catalogue, but its distribution is restricted, being practically confined to furniture control officers. At one time, a furniture sample room was maintained by Public Works to demonstrate certain features of various models; this is now a receiving area for samples submitted by prospective suppliers for testing.

39 Improvements to existing products occasionally originate from suggestions by users or by Public Works staff, but seldom result in changed specifications. For example, damage to clothing from splintered desk legs can be prevented by the use of leg guards and by sanding, but the specification still does not cover this problem. The Department of Public Works occasionally purchases new fur-

niture for experimental purposes, but the initiative nearly always lies with the manufacturers of new products. The Purchasing and Stores Branch usually obtains an assessment report, but has no formal means of reporting findings to all departments.

40 Technical development should be directed to the continual review and improvement of existing products and the search for new products to increase efficiency. A training course for furniture control officers and other key departmental personnel is needed, as well as a furniture display room and a manual on good furniture management, including illustrations, descriptive material, and standards of justification.

Requirements and Procurement

41 Expenditure on furniture is voted in one sum as an item in the Public Works Estimates, and departments are not charged for furniture. Since 1951, the Department of Public Works has attempted to base its furniture forecasts on anticipated requirements, by consolidating individual departmental budgets and then applying an arbitrary percentage cut to arrive at its total Estimates for submission to the Treasury Board.

42 Realistic forecasting is frequently penalized, for throughout the year the furniture appropriation is spent almost on a "first come, first served" basis. For example, towards the end of 1960-61, the Taxation Division of the Department of National Revenue asked for shelving which had been specifically budgeted for its Toronto office, but was unable to obtain this necessary material because the Public Works furniture appropriation had been used up.

43 As with office equipment, the approval and procurement procedures for office furniture are cumbersome and expensive. Delays of five to thirteen weeks for delivery are not abnormal, although furniture amounting

to approximately \$400,000, on the average, is held in stock at all times. Inventories are unnecessarily high for certain items. The inventory of twelve-inch electric clocks represents six months' usage although they are available on short notice from suppliers' stocks. Non-stock items are purchased as required, either by invitation bid or by tender, according to dollar value. Approval at many departmental levels is followed by detailed investigation in Public Works for requisitions over \$300; specified items are further subject to Treasury Board approval. In general, the paperwork is prodigious in volume.

Maintenance

44 The Department of Public Works provides a decentralized maintenance service across the country. Office furniture is generally in good condition and the quality of repairs carried out by the Department is in the main satisfactory.

45 There are no preventive maintenance programmes for office furniture except in the Department of Veterans Affairs. These could be used to advantage and procedures for minor repairs could be simplified. The average period for major repairs to furniture is two months, and there is a delay of approximately three weeks before a condemnation notice is sent to departments. Although policy calls for a desk to be scrapped when repair costs amount to forty per cent of replacement value, costing of a representative sample showed that the current cost of renovating a standard desk in a Public Works shop is forty-five per cent of replacement value.

Records and Disposal

46 Inventory taking presents problems of identification. Inventory clerks experience difficulty in distinguishing between furniture and operational equipment, which must be listed separately. For instance, shelving for

the storage of stationery is classified as furniture, but similar shelving used by the Department of Transport for the storage of radio parts has nothing to do with Public Works; sometimes an item of furniture is combined with a piece of equipment in one unit such as a drafting board. Much time is consumed in taking and maintaining inventories of many low cost articles such as ash trays.

47 The detailed records kept by the Comptroller of the Treasury on behalf of Public Works do not give effective control. The location analysis is insufficient to assist an inventory audit, and posting errors and inventory movements cause discrepancies; the latter are not always recorded. Most departments keep no day-to-day records, although they do have the record of physical inventory required by the Treasury Board. Four departments keep perpetual inventory records, duplicating in part those of Public Works.

48 These practices are costly and have limited value. Where it is impossible to account for a deficiency, it is often impractical to trace the item and the department usually receives authority for write-off. Physical inventories are needed for statistical purposes once every five years, but pilferable and comparatively costly items, and certain operational equipment whose location must be known at all times, should be recorded and physically verified at least annually.

49 Surplus furniture is to be found in expensive office space. Slow reporting by unit supervisors, extensive paperwork connected with the return of surplus furniture, and delays in removal all contribute to this situation. The used-stock warehouse of the Department of Public Works at Ottawa contains approximately one hundred and eighty non-repairable double pedestal desks which have been in stock for at least five years, and one hundred and ten double pedestal drop-bed desks, few of which are repairable and for which

there is no demand at present. These are occupying about six hundred and fifty square feet of floor space. The Crown Assets Disposal Corporation is slow in disposing of obsolete furniture. Delays may extend from two to five months; six forms are involved, and their cost exceeds the proceeds from sales of office furniture, which average only \$2 per item.

OFFICE SPACE

50 The practice of providing office space for the public service by a Department of Public Works vote leads to wide variations in accommodation standards. Your Commissioners believe that substantial economies and improved standards can be achieved by charging users an equitable rate for space occupied and holding them accountable for its effective use.

51 Good building design and layout are of great importance, but even some of the more recent government buildings are open to criticism. There are many instances of poor layout. Files are often located far from the points of greatest use, as in the central registry of the Department of Public Works. In the Taxation Division office in Montreal, three counters take up valuable floor space in offices having few visitors. An inefficient paper flow in the Central Pay Office of the Comptroller of the Treasury results from originators and checkers of material being located at opposite ends of the room. The Management Analysis Division of the Civil Service Commission has produced an excellent "Manual of Office Layout" as a guide to accommodation officers in analyzing and solving office layout problems, but it has been little used.

52 The Management Analysis Division also provides assistance, at the request of departments, in solving such problems. However, accommodation officers have not availed themselves of this service to any great extent;

only seven Management Analysis Division reports out of the hundreds prepared have dealt extensively with office layout, and these have not all been used to full advantage. For example, in 1957, a study was undertaken in the Dominion Bureau of Statistics. Coupled with a need for expansion, there was evidence of overcrowding in some offices, although investigation disclosed the average use of one hundred and sixty-four square feet for each person employed. The report recommended an office lay-out which would reduce the average used space to one hundred square feet each, thereby making adequate provision for the projected increase in staff. Little was done by way of implementation and an additional floor was eventually added to the building.

53 Some excellent work has been done in providing good office space in new buildings. The new Post Office Department Building in Ottawa is well laid out and provides maximum flexibility with large open floor areas and the use of movable partitions. The building occupied by the Cheque Adjustment Branch

in Ottawa was designed and constructed after a thorough office layout study had been made, taking into account work flow and future expansion. This is one of the few instances where the "Manual of Office Layout" and the services of the Management Analysis Division were used in the design stage. The practice should be extended, and departmental accommodation officers should be trained in layout techniques. It is estimated that a vigorous programme along these lines would save ten per cent of the space now in use.

CONCLUSIONS

54 In general, the supposedly tight control has failed to promote efficient use of space and proper furniture management. The remedies are similar to those applicable to office equipment—departmental responsibility, delegation and decentralization of authority, common procurement divorced from control, training programmes, and constant attention by the proposed Administration Improvement Division under the Treasury Board.

10

WORK STUDY

1 The annual salary cost of civilian clerks, stenographers, office equipment operators and telephone operators in the departments and agencies is probably \$325 million. In addition, an estimated \$50 million in salaries and allowances is paid to uniformed clerical personnel in the Armed Forces. Adding the cost of supervision and fringe benefits, the clerical labour cost of the Government of Canada exceeds \$400 million a year.

2 For many years, industrial engineering techniques have been employed to reduce manufacturing costs by analyzing methods and measuring the work content of tasks. More recently these techniques have been adapted successfully to measure and control the quality and quantity of clerical work. Large-scale government clerical operations offer great potential for economies through the use of work study; that is, work measurement and methods analysis.

3 The principle of relating the quantity of work done to a unit of time is being applied in a large part of the public service. Of seventy-nine departments and agencies questioned, thirty-five are using some form of produc-

tivity measurement, usually by comparing performance, period by period. Although this is not a scientific method, it does indicate that productivity is assessed.

4 There is general acceptance of the importance of measuring output, and officials are eager to make more use of the available techniques. This positive attitude is remarkably widespread, and no case of bad experience with work measurement was observed.

5 While the principle is accepted, the true methods of measuring work are not generally understood. This is shown by the large number of departments and agencies that use historical records as standards. There is little understanding of how scientific work measurement should be developed, where it should be applied, the benefits to be gained, and the costs involved. There are exceptions to this general picture, such as the work of the Customs and Excise Division of the Department of National Revenue, and of the Ordnance Depots of the Canadian Army.

6 There is always a potential danger that the techniques of scientific work study will be

badly applied in the general enthusiasm to reap the benefits. The use of work study by unqualified persons can produce unfortunate results, as is clearly demonstrated by the history of industrial applications. A sound policy is needed, both to govern the use of work study and to capitalize on the present receptive climate.

7 In industry, the primary objective of a work study programme is usually the reduction of costs by increasing the productivity of the worker. The emphasis in government is more often on the justification of requests for additional personnel. This perhaps explains why departments tend to regard work measurement as an analysis of past performance figures, which are not a satisfactory standard for controlling labour costs, since they record only what costs have been without measuring what costs should be.

8 There are three principal methods of developing work standards: by observation and stop-watch timing; work analysis and predetermined standard times; and work sampling. Competent analysts should be able to apply all three, although the stop-watch method is most used in the public service, particularly in the Customs and Excise Division of National Revenue, the Canadian Army Ordnance Corps, the Unemployment Insurance Commission, the Department of Veterans Affairs, and the Management Analysis Division of the Civil Service Commission. Little use is made of predetermined-time systems and standard data; Methods Time Measurement was the only predetermined-time system found in use and then not on clerical work, for which it is particularly suited.

9 The use of standard data is a recent development particularly appropriate for economical measurement of clerical work. The Canadian Broadcasting Corporation seems to be the only agency in the public service using this technique. Manuals of time elements for clerical work, for maintenance

work, and for factory activities, are now available. Properly applied, such data speed development of standards, and departments should utilize this method of increasing productivity.

10 The work-sampling method utilizes random observations of one or more workers as a means of measuring the time expended on each of a number of tasks. This method is particularly useful for measuring the work of a group of people with a similar and highly variable workload, such as clerks who work at desks and also serve the public at a counter. Work sampling can be a quick, inexpensive means of developing standards for tasks that would be uneconomic to measure by other methods.

11 With one exception, there are no work-study training facilities within the public service. Most of the qualified personnel have been recruited from industry. The one exception is the Army Ordnance Corps School, located at No. 25 Central Ordnance Depot, in Montreal. In this school, a good training manual has been developed; the course material is well prepared, suited to the purpose, and based on sound principles. As a result, the Canadian Army Ordnance Corps has probably the best work-study programme in the public service.

12 There is no adequate government source of trained work-study analysts and the number available is too limited to satisfy government requirements. Training should therefore be the first major phase of a programme designed to introduce work study throughout the public service. Highly qualified instructors should be employed to ensure that analysts are properly taught, techniques are not distorted, and human relations problems are properly presented. This training programme will be extensive, because the public service probably requires as many as two hundred and fifty to three hundred qualified work-study analysts.

13 The benefits to be derived from a work-study programme can be illustrated by three specific examples from within the public service: first, the present work of Royal Canadian Ordnance Corps; second, the Customs and Excise Division of the Department of National Revenue; and third, a special pilot-study conducted during the course of this investigation.

14 The Directorate of Ordnance Services defines policies and co-ordinates the work study programmes of the Ordnance Depots. The excellent programme at No. 25 Central Ordnance Depot has almost all of the components essential to the improvement of labour productivity by the application of work standards, namely:

- The full support of and continuous participation of the senior management people in the organization.
- A sufficiently senior position in the organization for the work measurement group to be independently effective.
- A recognized work measurement technique to establish reliable standards.
- Facilities to train qualified work measurement analysts, and to train supervisory personnel in the use of the controls provided.
- Reporting procedures designed to assist supervisors in the daily control of performance, and to give management over-all control of productivity.
- Clearly identified work units related to specific jobs which, in turn, are related to authorized procedures and to the organization structure.

15 The Depot Control group has an authorized strength of six, which is adequate for a total establishment of one thousand. The supervisor reports directly to the controller, a senior civilian responsible to the commandant. Production volumes, earned times, and

actual times are reported for each work centre each day. Progressive summaries carry pertinent data to the management level as monthly summaries of total time utilization. The reports are effective, understood and used. The commandant believes that without work study, he would require thirty per cent more people to meet current workloads.

16 The work-study programme of the Customs and Excise Division, Department of National Revenue, is another of the more competently administered programmes in the public service. Consistent, orderly application of policies and procedures has produced significant cost reduction. The Division had used job analysis for some years to estimate staff requirements. However, in 1957, proper work study, based on time study, was introduced by personnel recruited from industry into a Methods and Procedures group. This new group was given broader objectives, namely, methods improvement and cost reduction, and was given authority to conduct studies in any part of the Division, providing proper lines of authority were respected. In the ensuing four years, more than thirty studies have been completed, which have reduced costs by an estimated \$2 million.

17 The sequence of steps taken to develop a work-study programme is clearly defined. While the Methods and Procedures group under the authority of the Director of Port Administration has access to any area, many projects are conducted at the request of operating personnel. Each project is reported separately in a form that facilitates understanding and installation.

18 Of particular interest, and a most commendable approach to the problem of introducing work study, is the use of a formal manual, which covers the concept of work measurement, deals with policies and procedures to be followed, and generally encourages the acceptance of work study by management and supervisors.

19 However, three work-study analysts are hardly adequate for a Division of eight thousand employees. An increase in the number of analysts should not only produce more economies but also make it possible to introduce the application of predetermined-time systems.

20 A special study of clerical activities in a government department was conducted by your Commissioners over a period of five days to demonstrate the application of clerical work measurement techniques, to validate general observations of the potential for productivity improvement, and to assess the time required, in terms of jobs per analyst per week, to introduce work study into government operations.

21 Pay and Allowances (Air), an audit group under the Comptroller of the Treasury, located in Ottawa, was selected for the study. This section comprised twenty clerks who audit pay records for R.C.A.F. personnel; each clerk does substantially similar work and is responsible for a particular portion of each card. Audit procedures are generally considered difficult to measure; therefore, successful application of the technique to this activity would indicate the ease of application to routine operations such as typing and filing.

22 Under direction of the supervisor of the section, three selected clerks maintained records of their activities for three days; they recorded time spent on each job and quantity of work completed. The jobs were identified as follows:

- a. post assigned pay
- b. audit clothing accounts
- c. post and audit Daily Routine Orders entries
- d. audit pay accounts
- e. audit miscellaneous vouchers
- f. verify pension deductions payment
- g. post-audit.

23 The supervisor then wrote a detailed description of each job; the times and quantities from the task sheets were averaged to determine the time actually used for each work unit and the proportion of the total time spent on each job. Each clerk was interviewed to ascertain the methods followed for each of the seven jobs; these methods were then divided into work elements according to the clerical standard data manual used for the exercise. Work element times were applied and totalled, and fifteen per cent allowance was added for personal factors, fatigue, and delay to arrive at standard or allowed times.

24 This analysis was done only on jobs a, c, d, g, and on the separate job of raising observations, which all clerks must do when errors are located. It was not considered economical to analyze and set standards on jobs b, e, and f, which accounted for only 2.5%, 3.1%, and .4% respectively of the total time used; for these, average times were used.

25 By applying the developed standards to the number of work units produced during the three-day study period, the performance of the three clerks was measured as 76%, 75%, and 71% of standard for that period, i.e. a group performance of 74%. This is a reasonably high performance level. A target for this type of work is usually set at about 85%, but most uncontrolled groups operate at a 45% to 55% level.

26 The new standards were applied to the production of the whole group of twenty clerks for the month of October, 1961, and their performance was 53% of standard. The 74% performance attained by the three clerks during the three days of observation indicates that the work being done in the month studied could be done by fourteen people, a 30% reduction in personnel.

27 Commercial experience indicates that performance levels of 85% can be attained

regularly. However, in order to reach and maintain such levels, supervisors must give constant attention to the correction of the things that prevent people from working, such as:

- Deviation from proper method.
- Inadequate training.
- Poor distribution of workload.
- Unauthorized work.
- Late starts and early stops.
- Unduly extended break periods.
- Poor working conditions.
- Improper maintenance of machines and equipment.

28 It is important to note that none of these items refers to the work pace of the employees; no speed-up, no special effort, is required of the employees while they are working, to achieve performance targets.

29 Sound policy, central guidance and advice, and a vigorous training programme will enable the government to take advantage of the existing receptive climate for work study and produce substantial economies. It should be noted that a ten per cent reduction in clerical costs would save \$40 million annually. In addition, an effective, well-managed programme can be a source of inspiration and assistance to Canadian industry. Maximum utilization of labour in the public service can become a national policy of importance to a future which demands a highly competitive Canadian labour force.

11

QUALITY CONTROL

1 Sampling is perhaps the most useful of all the statistical methods available to management. The mathematics of probability are used to assess the representativeness of samples, the precision with which estimates can be made, and the risks involved in making decisions based on sample data. Until comparatively recently, the use of statistical methods was generally restricted to scientific research. It was not until after 1920, with the expansion of mass production methods, that applications began to appear in industry. As productivity and competition increased, the problem of product quality gained prominence. In an attempt to control the quality of products reaching the market, inspection systems were introduced whereby each product unit was examined and the poor quality items were screened out. It was soon realized that, although these inspection systems improved quality, they also increased operating costs and, more significantly, the systems were not directed toward rectifying the cause of the defects. Statistical quality control techniques were developed to identify and eliminate the causes of poor quality and, at the same time, to reduce the cost of inspection.

2 Although the use of statistical techniques to measure and control product quality is now relatively common in industry, only within the last ten years has much thought been given to the possibility of applying the same techniques to clerical or office operations. It is now well established that such applications are feasible, particularly where large volumes of like documents are being processed; and large volume is a characteristic of many government clerical activities.

3 Little use is made of statistical techniques to improve paperwork operations in the public service, although the statistical approach is implicit in many management actions; for example, attempts to reduce checking costs result in some test checks being applied, or conclusions are drawn from an examination of only a part of a mass of data.

4 Four basic verification methods were noted. By far the most prevalent method used in government is the one hundred per cent check, which is based on the erroneous assumption that checking every item will ensure that all errors will be detected and

perfection achieved. It has been proved that the fatigue and monotony of this type of verification results in the checker missing from five per cent to fifteen per cent of the errors. In addition, this approach does not take into account the relative seriousness of the possible errors, for the cost-versus-value concept is ignored.

5 The spot check is frequently used by supervisors. It is a haphazard verification of a small portion of the total and is of marginal value, except perhaps to induce some peace of mind.

6 The fixed-percentage check method acknowledges the possibility of sampling, but the sample is not scientifically selected. Often the percentage chosen is arbitrary and bears no relationship to the error rate of the documents verified. It is quite common to find that the manner of selecting the sample—the most important part of any sampling scheme—is not specified. Checking one day's work out of ten may produce an entirely different result from checking ten per cent of each day's work.

7 For a selective check, only pre-selected items on a document are verified; this method is based on the concept that errors are most likely to occur on specific items.

8 Sometimes departments employ more than one method of verification, or use duplicate checks in the hope of eliminating errors. The Comptroller of the Treasury clerks attached to the Data Processing Service of the Department of Agriculture sum and check quantitative data from reports of farmers' shipments of eggs; cards are subsequently punched and verified. Since deficiency payments made to farmers are based on these shipment statistics, Treasury personnel in the Department conduct a subsequent check on the accuracy of the calculations from a tabulation of the punched cards. During the course of this investigation, discrepancies

indicated the ineffectiveness of earlier checks, and your Commissioners are pleased to note that one of the check operations has been eliminated and another is being re-examined with a view to further simplification.

9 It is necessary to distinguish between two basically different checking functions: first, internal verification to ensure quality in the paperwork generated within government, where quality is controllable; second, external verification to ensure quality in paperwork created outside the government, where quality is generally beyond direct control. Examples of typical internal verifications are:

- The pre-audits conducted by the Comptroller of the Treasury as part of the control of expenditures. Many of these pre-audits duplicate checks already performed by the departments. The Comptroller of the Treasury attempts to check all items.
- The check of import entry documents by the Appraisers Branch of Customs and Excise. The purpose is to detect errors made at ports of entry and to initiate the recovery of revenue lost because of these errors. Here, the verification is a combination of the fixed-percentage check, the one hundred per cent check, and the spot check. Prior to this investigation, there was no programme to collect error statistics and to use this information to improve port performance. A recommended programme for improving port performance is now well under way and much has already been achieved.
- The checking, by twenty-five audit clerks, of changes made to pay records by eighty-six ledger clerks at the Central Pay Office. The ledger clerks are grouped into four sections and within each section audit clerks check the work of ledger clerks. This type of activity could be termed "inspecting quality into the product", since emphasis is placed on error correction rather than on error prevention. By concentrating on

quality problems, supervisory personnel could minimize the incidence of errors, and a selective check procedure could reduce the amount of checking required by as much as fifty per cent, which represents a potential saving of \$40,000 to \$50,000 in audit clerk salaries.

10 The purpose of verifying paper originating externally is to ensure that the data received on a form, claim, invoice, etc., are accurate, complete or valid. Although the purpose of such checks is still quality assurance, the possibility of controlling errors is slight because the data are originated from outside. Typical examples are:

- The one hundred per cent check by the Claims Section of the Department of Labour on monthly statements of disbursements made by provincial Workmen's Compensation Boards to federal employees on behalf of the federal government.
- The check of all Trans-Canada Air Lines waybills by the Air Mail Way-bill Section of the Post Office. The way-bill information is reconciled with a monthly statement submitted by Trans-Canada Air Lines for payment for air mail services rendered.
- The check, by the Traffic Branch of the Board of Transport Commissioners, of all railway claims for reimbursement of freight charges under the Maritime Freight Rates Act. Under the terms of this Act, railways operating in the Maritimes, which elect to charge reduced freight rates as an incentive to Maritime shippers, are entitled to reimbursement by the government. The verification of a claim, usually composed of several hundred way-bills, involves the computation of each entitlement for each shipment made during the claim period.

11 In none of these verifications of external paperwork has the possibility of using statistical sampling been explored.

12 One important factor that inhibits the application of statistical methods to verification systems is the interpretation of statutory responsibility for paperwork quality. In the majority of systems investigated, a rather severe interpretation of quality requirements accounts for the one hundred per cent verifications being conducted. This attitude is not difficult to understand; in government a glare of publicity may be focussed on minor mistakes. However, protection can be achieved in more than one way. In assessing the need for and logic of such a stringent interpretation of statutes, the following two points should be considered:

- The high quality supposedly provided by one hundred per cent verification is, in most cases, never actually attained. All checking procedures are subject to human error. Furthermore, an indiscriminate approach gives the insignificant item the same attention as the large and important item.
- In the collection of revenue and the disbursement of funds, statutory requirements differ.

13 The Department of National Revenue is responsible for collecting all moneys due to the government under particular taxing statutes. The terms of the various Acts are specific on this point. For example, the Income Tax Act provides that:

46. (1) The Minister shall . . . examine each return of income and assess the tax . . . if any, payable.

In practice, the Department does employ some statistical checks and generally gives priority to moneys due that are economical to collect.

14 On the other hand, the Financial Administration Act provides that:

33. (1) Every payment pursuant to an appropriation . . . shall be made under the direction and control of the Comptroller. . . .

This is interpreted as requiring the Comptroller to ensure the accuracy of every disbursement, regardless of value.

15 This difference in interpretation influences application of statistical sampling schemes in government. In complying with their statutory responsibilities, managers should realistically relate the costs against the expected accuracy of results, keeping in mind that even a one hundred per cent check has many imperfections.

16 However, the primary factor inhibiting the application of statistical techniques to the paperwork function is the lack of trained government systems personnel. Since paperwork verification is, in most instances, an integral part of a larger system or procedure, improved methods of conducting such verifications would logically come under the pur-

view of the departmental management services groups.

17 Managers have received too little exposure to the possible uses of and benefits from applied statistical methods. The statisticians in many government departments are competent to advise in the use of sampling, but are not necessarily management oriented, and they are not in a position to identify administrative applications. There is need for the extensive use of scientific statistical methods both to assure quality and to collect information. To meet this need, to promote a proper understanding of the value and use of these techniques, and to provide training, the proposed Administrative Improvement Division of the Treasury Board should encourage the introduction of scientific statistical methods throughout the public service.

12

SYSTEMS AND PROCEDURES

1 A century ago practically all information was posted by clerks with the aid of only the most rudimentary business equipment. Management information was at a bare minimum and systems were relatively simple. With the rapid development of office machines, leading up to the punched card era, more and more information could be processed for the benefit of management. Systems concepts expanded, demanding more objective and more comprehensive attention at a higher level of management than ever before and leading to the development of full-time staff to co-ordinate individual systems into the most practical and economical whole.

2 With the introduction of electronic computers, the ability of the machine to file and process information has been enormously increased. The task has become more complex, but the benefits to be derived have increased in the same proportion. With this unlimited potential, it is more important than ever before that systems be examined in relation to the needs of the government as a whole rather than to the isolated requirements of one department.

3 Your Commissioners have found little or no recognition of this need for a comprehensive approach to systems in the public service. Within departments there is a general acceptance of existing conditions, a lack of knowledge or interest in related activities of other departments and no appreciation of the high cost of triviality. No attempt was made to review this problem in every department and agency, but the principles involved are illustrated by a few specific case studies.

UNEMPLOYMENT INSURANCE COMMISSION

4 About half the workers covered by the Unemployment Insurance Fund are in industries using the bulk payment plan for contributions, under which employers keep track of pay deductions on a standardized form and mail it to the Commission at the year-end of the government or the firm. This is a relatively simple process, if somewhat cumbersome. The other half of the working population is involved in an unwieldy system that relies on the use of books and stamps or metered impressions. There are fourteen denominations of stamps an employer may re-

quire, depending upon the length of service for which he is paying and the gross wages of the employee. Instead of calculating contributions as a percentage of gross earnings, both systems depend on the use of tables supplied by the Commission, which show the contributions payable if an employee is paid every:

week or less
two weeks
three weeks
four weeks
semi-monthly
monthly.

5 These fine distinctions complicate both the preparation of payrolls and the audit by the Commission. The book and stamp system is defended on the ground that small employers cannot be relied upon to remit unemployment insurance contributions and deductions, although the Department of National Revenue is content to rely on them for income tax deductions. Your Commissioners have recommended, in their report on *Financial Management*, that the audit of both sets of remittances be combined; this would be facilitated by a simplification and standardization of the Unemployment Insurance contribution and deduction system.

6 Procedures relating to employers are not co-ordinated between departments and agencies. There are many separate card files in existence, and much of the information on these files is duplicated. For example:

- There are twenty-three clerks in the Employers Index group in the Administrative Services Branch of the Unemployment Insurance Commission. They keep alphabetical and numerical card files and addressograph plates on all employers with Unemployment Insurance licence numbers (313,000 employers).
- There are twenty-two clerks in the Statistical Division of the National Employment Service, who obtain statistics on the num-

ber of hirings and separations by all employers having ten or more employees. There are 66,000 employers and establishments in this group, all of which are included in the above Employers Index file. The total number of employees is regularly posted to these cards.

- The Unemployment Insurance section of the Dominion Bureau of Statistics has recently developed a punched card file of a similar nature (120,000 cards). This is used to code the hiring and separation data supplied by the Statistical Division of the National Employment Service.
- The Employment section of the Dominion Bureau of Statistics has two files, both alphabetical and numerical, of certain types of employers. One has about 34,000 cards and the other 12,000 cards. With some few exceptions, the employers in this file are included in the three files described above.

Information is regularly being sought from many of these employers by two or more of these groups acting independently.

7 The statistical functions covering unemployment insurance and employment are not well co-ordinated. Unemployment Insurance Commission procedures do not incorporate statistical preparation as a fundamental part of the system, and most of the people interviewed had little knowledge of Dominion Bureau of Statistics products or how they are prepared.

8 Conversely, Dominion Bureau of Statistics officials regard the work they do as a service to the Unemployment Insurance Commission. Neither agency appears to have accepted full management responsibility for the preparation and output of statistics. A co-ordinating committee which includes the Department of Labour, determines what statistics are to be produced but has failed to co-ordinate the systems by which they are prepared.

9 Department of Labour statistical staff have little knowledge of what is being done in the National Employment Service statistical group; for example, both groups simultaneously summarize the employment situation by industry and by province. There are many other areas of common interest leading to duplication. Theoretically, the Department of Labour handles the policy aspects of employment, while the National Employment Service handles the practical aspects. In practice, there is insufficient co-ordination and consultation.

10 The piecemeal application of automatic data processing to these requirements is evidence of the need for a thorough systems review of the information required from employers. A single return, giving all the information required by the various departments and agencies concerned, could accompany Income Tax and Unemployment Insurance remittances, and could be used as the raw material for the preparation of all statistical requirements. It is estimated that an integrated system of this kind, coupled with the use of a computer, would save the government more than \$4,000,000 a year. A much larger amount would be saved by Canadian employers.

AGRICULTURAL STABILIZATION BOARD

11 The Agricultural Stabilization Board was established to stabilize the prices of cattle, hogs and sheep; butter, cheese and eggs; wheat, oats and barley grown in areas not subject to the Canadian Wheat Board Act; and other commodities designated from time to time by Order in Council.

12 Price stabilization may be effected in one of two ways:

- By purchase at a prescribed price and subsequent sale on the market. Administration of these programmes involves a relatively small amount of paperwork, for the commodities are dealt with in bulk and the

number of individual transactions is comparatively small; handling and management are substantially done by the trade and the Board maintains records of inventories and movements.

- By payment to producers of any deficiency between the average market price for the crop year and the prescribed price, subject usually to an upper limit on the quantity to be so supported. This method, exemplified by the egg and hog programmes, involves detailed reporting and recording of sales by producers; for these purposes, registration schemes have been introduced and extensive data processing operations undertaken.

An interesting but complicated variant of the first method is the support programme, established by Order in Council, for milk used in manufacturing; prescribed payments to producers are made by the processing plants and reimbursed by the Board. This is in accordance with the general policy of the Board, which is to make use of trade channels as far as possible in the administration of stabilization programmes.

13 Disbursement and operating costs, as will be observed from Table 27, have risen rapidly in recent years:

Table 27—AGRICULTURAL STABILIZATION BOARD—
DISBURSEMENT AND OPERATING COSTS

	<i>Years ended March 31st</i>			
	1958	1959	1960	1961
Operating Costs (\$ thousands)	64.7	73.2	224.2	408.1
Stabilization Expenditures (\$ millions)	6.0	15.1	60.2	69.5

The above operating costs are far from comprehensive. They do not include the cost of the related operations of the Comptroller of the Treasury or of the extensive services provided by the Department of Agriculture.

14 There is no distinct organization for the Board's operations. The Board members are all senior officers of the Department of Agriculture with other departmental responsibilities. Direction of these programmes involves the field offices of the Production and Marketing Branch; for example, from a limited test of time reports submitted by inspectors in the Poultry Division, it would appear that up to ten per cent of their time is involved in checking the egg synoptic sheets prepared by packing stations to report shipments. In the Data Processing Service of the Department, there is an extensive clerical unit handling and processing reports to the Board from grading stations and packing houses; the cost of the data processing is not included in the operating costs quoted above.

15 Attention was focussed on the egg and hog programmes, which affect more than 400,000 producers and involve approximately 5,000,000 separate transactions a year. In both programmes a considerable burden is placed on trade channels in collecting and reporting information to the Board.

16 There is some overlap of the hog deficiency payment programme with the concurrent hog premium programme. The hog premium is essentially designed to encourage the production of high grade hogs, and the hog deficiency payment programme applies only to top grade hogs.

17 A characteristic of deficiency payment programmes is that payment will only be made when the average market price for the year falls below the support price; this has never happened with hog prices. Thus, all the work done in collating information in preparation for payment to hog producers was redundant, other than as a source of statistical information. Substantial costs may well be incurred in up-dating all these records, which may never be used for their primary purpose.

18 For the egg programme, report sheets are prepared by the trade every two weeks, showing name, address, registration number, and the quantity of eggs shipped in each category. Some attempt has been made to facilitate the work of packing stations by supplying pre-printed listings of the names, addresses, and registration numbers of producers who normally ship to that particular packing station. While this accounts for most of the regular shippers, there are frequent additions to and deletions from these lists, and a producer may ship to several different packing stations. The burden of this work on the trade is extensive; precise estimates are not available but an estimated annual cost of one million dollars would not appear unreasonable.

19 Deficiency payment programmes involve registration by the farmer, and there is a separate registration scheme for each commodity. Thus a farmer producing eggs and hogs and other commodities will have a different registration number for each application. To ensure that everyone is coded for data processing purposes, special registration numbers are assigned to farmers who have not applied, and there is a constant problem of ensuring that new applicants have not already been numbered. This basic confusion in the coding or numbering of producers seriously affects the subsequent mechanical processing of information.

20 From the records maintained, statistics are extracted for purposes of formulating policy and checking results. This ancillary requirement is sufficiently important to warrant consideration in the systems design, but the extraction of information on a sample basis would be sufficiently accurate for the purpose.

21 Operations are characterized by peak loads offset by slack periods. The seasonal nature of the industry creates peaks in shipments and in the handling of related data.

Other peak loads have been imposed by sudden changes of policy such as the decision to make an interim payment for eggs. Another result of this interim payment was that over-payments made to certain producers could not be recovered in the final payment.

22 The entire system as it is operating is fraught with error, despite all the precautions taken to check registration numbers, to establish pre-printed registration numbers on the egg synoptic sheets, and to assign control numbers and registration numbers where these were not shown on reports. The frequency of egg shipments and the ability to pre-print some of these data have improved the situation by constant cross-checking, but this has not been as simple for hogs; shipments are much less frequent and the packers do not normally have any direct contact with producers. The inspectors of the Production and Marketing Branch make extensive efforts to ensure that registration numbers are applied to all documents, but there is no certainty that these are accurate.

23 It is estimated that, taking all factors into account, the true administrative cost of operating the egg and hog deficiency payment programmes is approximately \$420,000 a year. Various possible alternative systems would afford savings of at least \$100,000 a year, increasing in inverse proportion to the number of payments to be made. For example, payments could be based on claims submitted directly by farmers; this would eliminate all administrative procedures in years when the average market price exceeded the prescribed price.

24 If there is a continued need for coding producers, the present separate registration systems should be reviewed with the object of integration. If it is found desirable to continue to receive reports from the field for each individual shipment, further attention should be given to more positive identification at the time of recording. This might be done

through the use of pre-printed lists, unit tickets, or punched cards, or perhaps the development of charge-plate identification.

25 The possibility of decentralizing operations to various regional locations should also be considered. For example, if Data Processing Centres were established in regional areas, or if the Department of Agriculture itself has a data processing operation established, say at Winnipeg, such facilities could be used for any data processing work required in the stabilization programmes.

26 The Department of Agriculture recognizes the need for a thorough examination of the systems and procedures associated with the deficiency payment schemes. Such an examination should embrace the over-all problems of organization, the use of data processing services, and all other potential areas for improvement. In such a study, the close co-operation of the trade will be required to develop the best method for each individual commodity, although standardization should be sought wherever practicable.

27 (Since the foregoing was written changes have been instituted in the chicken and hog deficiency payments, which should produce substantial administrative savings.)

FAMILY ALLOWANCES AND OLD AGE SECURITY

28 All families may register eligible children under sixteen and receive Family Allowances; at ten years of age the monthly rate increases from six dollars to eight dollars. Under the Old Age Security Act, eligible persons over seventy years of age currently receive a pension of sixty-five dollars a month. In 1960-61, Family Allowances payments amounted to about \$506 million and Old Age Security to about \$592 million.

29 Both programmes are administered by the Welfare Branch of the Department of National Health and Welfare. The Family

Allowances and Old Age Security Division consists of a national office in Ottawa and ten regional offices, each located in a provincial capital with ready access to vital statistics. A regional office for the Yukon and Northwest Territories is incorporated in the national office in Ottawa.

30 The Ontario Regional office is the largest, with about thirty-five per cent of the total number of active accounts; and the larger offices achieve the lowest costs, as shown in Table 28.

31 Associated with each of the ten regional offices is a District Treasury Officer under the Comptroller of the Treasury in Ottawa. The Treasury Officers provide accounting services and are responsible, under the Financial Administration Act, for checking all applications to establish legality before placing the account in pay (pre-audit), and for issuing Family Allowances and Old Age Security cheques.

32 The Management Analysis Division of the Civil Service Commission is currently con-

ducting a work measurement study in the Quebec regional office. Preliminary results indicate that estimated annual savings of \$100,000 will be achieved when work measurement techniques are introduced. This study is being extended to the Ontario regional office and, ultimately, it is planned to apply this technique to all offices. It is expected that the national savings will be in proportion to those in Quebec, and may exceed \$300,000 a year.

33 The work measurement study does not include the Treasury operations, although a sample study indicates that additional savings of over \$100,000 a year might be achievable. In fact, since the inception of these programmes, no concerted attempt has ever been made by the two departments concerned to rationalize the systems followed in their related activities.

34 There is a wide area of potential economy in improved work distribution, cycling of payments, and better use of addressing equipment. Evidence of lower cost in larger offices suggests that the location of regional

Table 28 — FAMILY ALLOWANCES AND OLD AGE SECURITY — REGIONAL OFFICE COSTS — 1960-61

<i>Regional Office</i>	<i>Total Staff</i>	<i>Number of Active Accounts</i>	<i>Average Cost Per Account</i>
		(000's)	\$
Newfoundland.....	49	82	2.98
Prince Edward Island.....	17	21	4.00
Nova Scotia.....	72	147	2.46
New Brunswick.....	59	113	2.94
Quebec.....	374	914	2.28
Ontario.....	467	1,240	2.04
Manitoba.....	75	186	2.18
Saskatchewan.....	75	188	2.14
Alberta.....	91	260	2.07
British Columbia.....	113	349	1.84
Head Office, including N.W.T. and Yukon.....	65	7	—
	1,457	3,507	2.26

offices in provincial capitals should be reviewed in relation to modern communications and methods of data transmission.

35 The Welfare Branch also administers the Old Age Assistance programme, under federal-provincial agreements, which provides financial assistance, subject to a means test, to eligible persons between sixty-five and seventy years of age. Individual payments are made by provincial authorities, but the Welfare Branch maintains a separate field organization across Canada for the purpose of checking provincial claims for federal subventions under this and similar programmes, such as Unemployment Assistance. There is reason to believe that these checking operations are unnecessary.

36 Immigrant children are not eligible for Family Allowances until they have been in Canada for a year. To fill this gap, the Family Assistance programme, which is administered by the Department of Citizenship and Immigration at a present total cost of \$80,000 a year, provides grants of five dollars a month for each child. Your Commissioners are of the opinion that administration of this programme might advantageously be transferred to the Department of National Health and Welfare.

DEPARTMENT OF NATIONAL REVENUE — CUSTOMS AND EXCISE DIVISION

37 Excise taxes fall on a wide range of commodities, whether of domestic origin or imported. Exact figures are not available, but it is estimated that about fifteen per cent of the revenue from this source is collected from imports. Domestic excise taxes amounting to approximately \$1.3 billion are collected from some 40,000 firms when goods are sold or removed from warehouse for consumption.

38 The Customs and Excise Division of the Department of National Revenue maintains a distinct Excise Tax Audit field organiza-

tion, with offices in twenty-one cities across Canada, but tax evasion is a continuing problem. A systems review should be undertaken, with particular attention directed to the possibility of achieving economies and desirable improvements by transferring the collection and audit of excise tax to the district offices of the Taxation Division of the Department. While the combination of excise and income tax audits in a single inspection may not be practical, combining the collection of excise and income taxes under a single administration would produce substantial advantages.

39 Nearly two billion Excise Duty stamps were printed and sold in 1960-61 to tobacco manufacturers, and 130 million ageing strip stamps were distributed to distillers. The printing cost exceeded \$500,000. Playing cards, unlike most other articles subject to Excise Tax, also require stamps; about 4,000,000 were sold in 1960-61. An alternative would be remittances by manufacturers based on production records, subject to subsequent audit. Experience in many other countries indicates that discontinuance of present practice would not lead to a loss of revenue, and there are substantial savings involved in simplifying administrative procedures.

BOARD OF GRAIN COMMISSIONERS

40 The Board is responsible, under the Canada Grain Act, for the supervision and regulation of grain handling, and for the inspection and certification of grain shipments as to quality and quantity, with regulatory activities including the issue of licences and establishment of maximum rates for elevator operations. The Board does some research with respect to the milling and baking qualities of grain, and also manages the Canadian Government elevators.

41 The Board produces an excellent statistical digest of the grain trade each week, based on data emanating from the inspection

and weighing services and from returns independently submitted by grain companies. This digest forms the basis for other reports prepared by the Canadian Wheat Board and the Dominion Bureau of Statistics. Attention was drawn to the duplication between the Board's digests and the Canadian Wheat Board's reports, and your Commissioners are gratified to learn that the latter have now been discontinued.

42 Inspection and weighing of grain are done by two independently organized divisions operating in parallel. Procedures are as follows:

- The producer delivers grain to a country elevator, where the agent of a grain company grades and weighs to establish the initial payment; if the producer appeals this preliminary grading, a sample is sent to the nearest office of the Board for inspection.
- Grain delivered to the country elevator is normally mixed with similar grades, and is ultimately shipped to terminal elevators; the country elevator agent places a two-pound sample bag in each freight car, supposedly representative of the contents of the car.
- All eastbound freight trains carrying grain are intercepted at Winnipeg, and westbound trains at Calgary or Edmonton, where the sample bags are removed and inspected by the Board's inspector (Primary Inspection); an unofficial grade certificate is issued to the grain company, and the car is tagged accordingly.
- The samples are generally re-inspected by the agent of the grain company concerned.
- At the terminal elevators at the Lakehead, Vancouver, or elsewhere, the grain in each car is weighed and inspected at the time of unloading; this constitutes Final Inspection by the Board and an official certificate determines the price to be paid by the Canadian Wheat Board.

- All grain moving out of the terminal elevators and loaded in vessels or into freight cars for further shipment is again weighed and inspected by the Board's representatives for certification of proper grading.

43 The organization of inspection and weighing in separate divisions, independently managed, is wasteful of manpower, particularly at terminals such as Fort William, where large inspection and weighing staffs work side by side on parallel operations; the elaborate preparation of vessel loading records culminates in the issue of numerous certificates by each division almost identical with those of the other.

44 This duplication of paperwork extends into separate divisional procedures in the head office in Winnipeg. Furthermore, grain companies' records almost wholly duplicate those of the Board. There has been no attempt to integrate these various records. Moreover, the Board requires paperwork from elevator operators which does not readily fit in with the latter's operations. A revision would produce substantial savings for the Board and the grain companies alike.

45 A review should be directed towards the integration of inspection and weighing activities so that documentation can be simplified and combined at the earliest possible stage. Documentation required from the grain companies should be reviewed simultaneously; it may well be found that, with some adjustments and the introduction of simple procedures for verification and audit, the Board could establish the companies' records as its official documentation.

46 Substantial clerical work arises in the conversion of pounds weight into bushels. All actual measurements for purposes of purchase, movement, and sale are in terms of weight (pounds, hundred-weights or tons). By tradition, the trade uses a volume measure, the bushel, which is useful when relating a

variety of grains to storage or carrying capacities. The conversion is at standard factors. Throughout the marketing process there are normally fifteen conversion calculations.

47 The bushel basis of measurement is traditional, but there appears to be little justification for converting pounds into bushels in the certification of grain loaded into vessels. The Board of Grain Commissioners should objectively assess the relative merits of bushel and weight standards, working closely with the Canadian Wheat Board and the grain trade in general.

48 The Primary Inspection involves intercepting trains, checking way-bills, opening box cars to remove samples, inspecting the samples, completing necessary paperwork to issue an unofficial certificate indicating the grade of each sample collected, and storing samples for re-inspection by the grain companies' and the Board's inspectors upon request. The estimated monthly salary cost of

the primary inspection at Winnipeg, Calgary and Edmonton is shown in Table 29.

49 Consideration should be given to the abandonment of the primary inspection, which has no bearing whatsoever on the ultimate certification of grade as it affects either the producer or the purchaser. In many cases, the sample bags placed in the cars by country elevator agents are not representative of the contents. It has been established that about 18% differ in grade from the official samples taken when the cars are unloaded at the terminal.

50 The Board presently charges a fee of two dollars a carlot for all inspection services, but related expenditure exceeds receipts by some \$775,000 a year. The elimination of the primary inspection, or the imposition of an additional optional fee for grain companies requiring continuation of the service, would narrow the gap.

Table 29—ESTIMATED MONTHLY SALARY COST OF PRIMARY INSPECTION*

Location and Grade of Personnel	Average Monthly Salary	Staff and Cost					
		Winnipeg		Calgary		Edmonton	
		No.	\$	No.	\$	No.	\$
<hr/>							
RAILROAD YARDS—							
Clerks, etc.....	220	14	3,080	—	—	—	—
Samplers.....	220	67	14,757	11	2,420	10	2,420
Foremen.....	318	15	4,765	3	954	4	1,272
<hr/>							
CENTRAL OFFICES—							
Inspectors.....	447	15	6,704	3	1,341	3	1,341
Assistants.....	347	8	2,781	—	—	—	—
Samplers.....	220	2	440	1	220	1	220
Clerks, etc.....	250	6	1,500	1	250	1	250
<hr/>							
TOTAL.....	—	127	34,027	19	5,185	19	5,503

TOTAL:—\$45,000 per month or \$536,000 per annum.

*These figures do not include the cost of additional clerical work at the terminal point in handling and indexing primary inspection certificates, or the cost of the freight-car tagging operations by twelve men.

13

MANAGEMENT SERVICES

1 Good management, like good coffee, depends on the quality of the raw material and the care devoted to its preparation. Your Commissioners are unable to recommend any formula for instant management, but attach high importance to the establishment and development of a Management Services group in every large department and agency.

2 A number of such groups already exist, under varying designations; many are limited in scope because they form part of a single branch or division, and some departments and agencies have more than one. The Canadian Broadcasting Corporation, for example, has two, and the Department of Citizenship and Immigration, six. Among the disadvantages of this fragmentation, the most serious is the dispersal of the limited talent that is available; this work requires specialists whose techniques are of general application, and it is wasteful to confine them too closely.

3 Attention has been drawn to the importance of integral systems design and the establishment of sound standards and practices for commonly used equipment, facilities and

procedures; even within a department or agency it is necessary to have a central focus for Management Services. Each deputy head needs a Management Services group; if the deputy controls an operation too small to justify a group of its own, contractual arrangements should be made with a larger unit.

4 Existing Management Services groups are severally attached to administration, accounting, personnel, or a variety of operational branches. Consistency is to be seen in only one respect; all are placed too low in the hierarchical structure and remote from the deputy head. If deputy heads are to be held fully accountable for the operations under their control, they will have to make full use of the modern techniques and practices that exist and are being developed. For this, experts must be readily available, and the Management Services group should respond directly to the deputy head.

5 The concept of Management Services is not new. In the Canadian public service it has been recognized and used for more than fifteen years, but the Civil Service Commis-

sion has not yet established any classifications for this type of work. With few exceptions, no job descriptions exist and no attempt has been made to define duties and responsibilities, with the result that specialists are often used on routine departmental work that could be done as well by others.

6 The proper size of a Management Services group depends on many factors, and no universal formula can be applied. Nonetheless, most of the existing groups are too small to be truly effective; their misuse is therefore the more to be deplored. The governing consideration in the size of a Management Services group is that it should not generate recommendations at a rate faster than they can be absorbed and implemented.

7 Suitable classifications and proper remuneration provide only a partial solution to the problem of staffing. There is a general shortage throughout Canada of people with suitable knowledge and experience. If the government is to be adequately served in this respect, the only remedy is a massive programme of training and development.

8 Training has generally been left to departments and agencies, with unsatisfactory results. There is too much emphasis on theory, and external training courses are largely ignored; a prominent exception is the Canadian Broadcasting Corporation, which has sent a number of junior executives to attend university courses in administration. The Management Analysis Division of the Civil Service Commission provides a three-week course annually, which forms a good basic introduction to principles, but there is an urgent need for practical instruction in work simplification and measurement, systems design, and many other subjects to which attention has been drawn in this report. Your Commissioners believe that the most important responsibility of the proposed Administrative Improvement Division under the Treasury Board, at least in its early years, will be the

planning and development of suitable training programmes for management services, in collaboration with the Personnel Division.

9 Equally important is the development and retention of trained staff. Development is jeopardized by rapid turnover, and the cost of training is too high to permit the dissipation of its benefits through the misuse, dispersal and loss of trained men. Too often competent men have been transferred to higher managerial positions, or have secured more remunerative appointments elsewhere, before the benefits of training have matured. One instance is the Unemployment Insurance Commission, which has filled at least fifteen senior appointments in recent years from the ranks of its Management Services group, although less than half the already inadequate number of positions in the group are filled.

10 Wastefully rapid turnover can only be minimized by equating rewards to responsibilities and competence; and to maintain a proper level of management services, it will be necessary for departments to treat the development of trained staff in terms of careers. Equally important to the public service as a whole is the cross-fertilization of ideas and experience between departments and agencies in this specialized field, by staff rotation and other means.

11 More than 500 major studies have been undertaken by the Management Analysis Division of the Civil Service Commission, often with good results, but the emphasis has generally been on specific problems and remedies rather than on the broad problems of organization structure and integrated systems planning. As with internal departmental studies, too little attention is directed to measurable economies as a guide to the validity of recommendations—savings are seldom recorded initially and never cumulatively.

12 In management consultancy practice, a

universally recognized principle is that the ground must be prepared for implementation in the course of conducting the study. Successful implementation is nearly always dependent on the indoctrination and agreement of the operatives and supervisors affected, and acceptance of recommendations at the executive level does not guarantee effective implementation. In many cases, particularly in studies by the Management Analysis Division, too much reliance has been placed on reporting, and too little on the value of discussion and partial agreement as the study progresses. Even a report of the highest quality is seldom persuasive enough to secure full understanding by top management, and acceptance without understanding is a poor start for implementation.

13 Studies undertaken by departmental groups often deal with simpler and more restricted problems than those allotted to the Management Analysis Division of the Civil Service Commission. But this does not wholly account for the significantly different degree of acceptance and implementation revealed by a detailed study of a number of reports from both sources, which were selected at random and are summarized in Table 30.

14 These figures support the recommendation that departmental Management Services groups should be strengthened. Being closely associated with operating groups under the direction of the deputy head, they are in a position to secure acceptance of their recommendations at all levels during the course of the study, and to advise and assist in the subsequent process of training and implementation.

Table 30—ANALYSIS OF ACCEPTANCE OF
MANAGEMENT STUDIES

	<i>Studies by Depart- mental Groups</i>	<i>Studies by Manage- ment Analysis Division</i>
Reports fully accepted and implemented.....	65%	17%
Reports fully accepted but not fully implemented.....	11%	24%
Reports partially accepted....	18%	35%
Reports totally rejected.....	6%	24%

15 In emphasizing the importance of departmental Management Services groups, your Commissioners do not wish to detract in any way from the importance which they attach to the need for establishing an Administrative Improvement Division under the Treasury Board. The development of management techniques, the proper selection and use of equipment and facilities, the planning of systems and procedures, are all highly technical matters requiring expert knowledge and wide experience. The primary functions of the Administrative Improvement Division will be to know where to find the necessary specialists, either within the public service or from outside, and to ensure their availability wherever and whenever their services may be required; to disseminate management information and foster the exchange of ideas and experience throughout the public service; to contribute to the central assessment of departmental performance; and to assist the Treasury Board in ensuring that the people of Canada get a fair run for their money.

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